

RELEASE IN PART
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From: Sullivan, Jacob J <SullivanJJ@state.gov>
Sent: Friday, October 14, 2011 6:47 PM
To: H
Subject: FW: (BLOOMBERG) Clinton Adopts Jobs's 'Think Different' Motto on China

Pretty good, except for the Berkeley guy who clearly doesn't like State!

From: Nuland, Victoria J
Sent: Friday, October 14, 2011 4:59 PM
To: Sullivan, Jacob J; Hormats, Robert D
Subject: FW: (BLOOMBERG) Clinton Adopts Jobs's 'Think Different' Motto on China

From: Reynolds, Sandy (PACE) [mailto:ReynoldsS@state.gov]
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Subject: (BLOOMBERG) Clinton Adopts Jobs's 'Think Different' Motto on China

Clinton Adopts Jobs's 'Think Different' Motto on China

By Flavia Krause-Jackson and Nicole Gaouette

(Adds reaction to State Department policy starting in 18th paragraph.)

Oct. 14 (Bloomberg) -- The U.S. must face the challenge of rising economic and political powers such as Brazil, India and China by making economic concerns central to its foreign policy, Secretary of State Hillary Clinton said today.

In a speech to the New York Economic Club, Clinton gave her views on how to deploy diplomacy to spur job growth, lower trade barriers and learn the lessons from the European debt crisis and the Arab Spring. She cited a maxim of Steve Jobs, the late founder of Apple Inc., who urged all to "think different."

China has been "gaming the system to hold down the value of its currency to give its companies a leg up," she said. Brazil and India, whose rapidly growing economies have transformed them into world powers, have put "economics at the center of their foreign policies," Clinton said.

Economic rivals are entering markets directly or deploying natural resources "to build and exercise power," she said.

That “critical concern” hit home for U.S. officials last year when China cut production of rare earth minerals -- used in products as diverse as flat-screen televisions and weapons systems. China controls more than 90 percent of the supply.

“The challenges of a changing world and the needs of the American people demand that our foreign policy community -- as Steve Jobs put it -- think different,” Clinton said. “We have to position ourselves to lead in a world where security is shaped in boardrooms and on trading floors, as well as on battlefields,” she said.

Free Trade Pacts

Her address follows this week’s congressional approval of free-trade agreements with South Korea, Colombia and Panama, ending years of stalemate. Supporters said the accords are the biggest opportunity for exporters in decades.

Clinton spoke as European officials are outlining a rescue plan that may include deeper investor losses on Greek bonds, higher bank capital levels and increased firepower for bailouts and the International Monetary Fund.

Slovakia this week completed ratification of an expanded bailout fund of 440 billion euros (\$604 billion) to prevent contagion from a debt crisis that has spread from Greece to other countries in the 17-nation bloc. Slovakia, which joined the euro in 2009 as a former communist nation seeking economic opportunity, was the last euro nation to clear it.

“We have seen governments toppled by economic crisis,” Clinton said to the 104-year-old club. The sovereign debt crisis that began at the end of 2009 has triggered changes of governments in Greece, Portugal and Ireland.

Arab Revolutions

Clinton cited the impact of popular uprisings in the Middle East, which caught the U.S. off guard and were triggered by record-high food prices and other economic hardships.

“Revolutions born in a Tunisian marketplace have swept across an entire region,” Clinton said, referring to the 26-year-old unemployed seller of fruit and vegetables who set himself on fire to protest his treatment by Tunisian police.

“To succeed, the Arab political awakening must also be an economic awakening,” she told the audience of business leaders.

Clinton has focused increasingly on the economy since taking over at the State Department in 2009, shifting the focus of the world’s biggest economy toward rivals in Asia.

She has held export promotion events during stops in Australia, attended meetings on trade while in India and discussed new regional trade agreements during visits to Vietnam. Today, she is pledging to build in the Pacific the same type of institutional framework that binds the U.S. and its Atlantic neighbors, according to State Department officials who weren’t authorized to comment on the record.

Economic Statecraft

Clinton said agencies such as the Commerce Department and the U.S. Trade Representative oversee parts of the agenda and the Obama administration will work to coordinate those efforts more closely.

Diplomacy in support of business will be crucial to the future of U.S. power and prosperity, said Leslie Gelb of the Council on Foreign Relations in New York.

"The economy is the basis of our security, the basis of our power abroad, the basis of our military might," Gelb said in a telephone interview. "You want us to protect ourselves in the world, we've got to rebuild our economy. In terms of foreign policy, there's nothing anywhere near as important."

One aim of Clinton's initiative is to ensure that U.S. companies have a "level playing field" in global markets, where they sometimes encounter protectionist procurement programs, subsidized state-backed firms or demands that they hand over propriety technology in exchange for entering markets.

'New Barriers'

"We are confronting new barriers that are emerging not at borders but behind them, denying our companies a chance to compete on the merits," Clinton said today.

Stephen S. Cohen, co-director of the Berkeley Roundtable on the International Economy at the University of California, Berkeley, said he had doubts.

The State Department "has been doing that for 50 years -- not trying to level the playing field, but talking about it," he said. "Right now they just say the same old stuff."

The free-market model -- now tarnished by the global financial crisis -- had worked in large part because the U.S. was willing and able to absorb the massive export drives of countries like China and Japan, a role it can no longer afford.

"It's the same game we've seen for the last 40 years that really started to crescendo in the 1990s -- open capital markets and free trade in all directions -- but it really didn't work to America's advantage," Cohen said in a telephone interview.

'Get Serious'

The State Department should "get serious about opening markets and leveraging the advantage to the U.S. side now," Cohen said. The administration should also "forget ideas and just look very concretely at the economy" and what each sector needs to be restored, he said.

Nina Hachigian, a senior fellow at the Center for American Progress, a Washington policy group with close ties to the White House, said that Clinton is taking all the right steps. The U.S. has "a long way to go" to catch up, she said.

"The kind of assistance we're talking about -- American diplomats helping American businessmen -- is pretty mild, relatively beginning steps," said Hachigian, a former National Security Council staff member. "Even our European friends do a lot more to help their companies than we do."

--Editors: Steven Komarow, Leslie Hoffecker

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B6

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