

Center for Strategic and International Studies (CSIS)

Our Shared Opportunity: A Vision for Global Prosperity

Panel 3: Deepening U.S. Government Engagement with the Private Sector on Development Efforts

Introductory Remarks by:

**Thomas Pritzker,
Executive Chairman, Hyatt Hotels Corporation**

Closing Keynote Address:

**Daniel Yohannes,
CEO, Millennium Challenge Corporation**

Panel Discussion:

**Hunter Biden,
Chairman, Rosemont Seneca Partners, LLC, and Chairman, World Food
Program USA**

Farooq Kathwari

Chairman, President, and CEO, Ethan Allen Interiors Inc.

Paula Luff

**Vice President, Corporate Social Responsibility,
Hess Corporation**

Katherine Pickus

**Divisional Vice President, Global Citizenship and Policy, Abbott, and Vice
President, Abbott Fund**

Moderator:

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Project on U.S. Leadership in Development, CSIS**

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TOM PRITZKER: So at Hyatt, we give people a break, but at CSIS, they work you straight through. And so you can imagine what was like to be on the council. There was zero rest and it was the pay that made up for why we all did this.

OK, let me – let me go ahead and introduce the third panel. The topic is “Deepening U.S. Government Engagement with the Private Sector on Development Efforts.” And we will hear from a variety of council members. Hunter Biden. Hunter is chairman of Rosemont Seneca Partners and chairman of World Food Program USA; Farooq Kathwari, chairman, president and CEO of Ethan Allen Interiors; Paula Luff, vice president corporate social responsibility of Hess Corporation; and Kathy Pickus, divisional vice president, Global Citizenship and Policy from Abbott and vice president of the Abbott Fund. And Johanna Nesseth is the other co-director with Dan of this project on U.S. Leadership in Development. She will act as our moderator. Thank you.

JOHANNA NESSETH TUTTLE: Thank you so much. And I know we’ve got some people who will filter back in after getting a little more caffeine. So well, thank you all for being here. I’m happy to have with us another set of the members of the council. Before we launch into our discussion, I want to highlight a couple of other points that I think are worth nothing.

There’re about a dozen members of the group who aren’t here today, but you can find their names in the front of the report, so you’ll see who they were, see the mix of people that we have engaged. And I want to also acknowledge a couple of very important people who haven’t been mentioned today. We’ve got some great folks who’ve been working very diligently on the process and on the products that we’ve been putting together. Lauren Bieniek, who has probably left the room, has been very, very engaged and involved in every detail. Conor Savoy is a research fellow and was very engaged with the writing of the report. And Anna Saito is responsible for all the outreach, and our outreach is meant to be very deep and intensive as we go forward.

We actually spent two years on the process leading up to this discussion. We spent one year doing intense research and writing around about a dozen different topics. And you’ll find in the back of the report a list of all the reports that CSIS has put out on development and the different topics. We covered everything from ag development to development finance, to partnerships and the future of partnerships, and the role that trade plays in development.

So when we started out, last February, we had a pretty good basis that we were working from. And over the next year, our plan is to use this as a roadmap, as Helene said, to deepen the thinking behind the report and engage more folks. One of our core recommendations is that we need to build a constituency around economic growth and broad based economic growth, and how you develop a constituency around something that sounds that dry is going to take a lot of creativity and a lot of thinking. So how do you talk about poverty? How do you talk about how growth reduces poverty and can do that and how it’s in America’s interest will be a core part of our research agenda for the year.

So with that, we’ve got – we’ve had short introductions of each of the folks in our group today. And our goal in this discussion – because everyone we have here is a member of the private sector, someone who’s been in and around government, but really has their core business in the private sector, and we want to talk a little bit more deeply about what this means.

During the course of our three meetings of the group, one of the things we really kept thinking was the fact that we have to think about a change in everybody’s mindset. We need to

think about how we all think about each other and what each other's motives and goals are. And we've probably gotten to a point where we started looking at the East European example as a real model for what we should be doing in development. After the Soviet Union fell, the U.S. engaged very deeply in Europe really to try to promote the private sector. But what we've been doing in our past few decades or past couple of decades tends to be more of a – what we should really probably give stuff away because it's not fair to make poor people pay for stuff.

And I think that sort of mindset is the beginning of the conversation that we've got because companies are engaging, private sector folks are engaging in different ways because there is a market. And how do you start thinking it's OK to sell stuff to poor people, it's OK to see them as growing markets, because in – Coca Cola's Bea Perez was one of our members. Coca Cola said, look, Japan's a mature market. Europe is a mature market. We've got to look at these other places that have 1 billion people and hardly any of them drink Coke. That's our future market. So how do you start looking at poor people, not just as sort of recipients of aid and assistance, but really as long-term – sort of long-term engagement strategies?

So I want to start with Kathy Pickus because the way Abbott thinks about development – your engagement in developing economies is very unusual and I think it's a little bit mind bending for people. So I want to ask you to start talking about how your business operations contribute to development, how you're thinking about that, and how you see developing markets as your long-term future.

KATHERINE PICKUS: Sure. Thank you very much for that introduction.

You know, one of the things that we've noticed at Abbott, and I'm sure Paula will be nodding because it's true of her work at Hess, is that citizenship or corporate responsibility, as it was known 10 years ago, was primarily about giving stuff away. And as we started to have conversations with business leaders, who were advising or recommending philanthropic initiatives, they are talking about, as they left the room, that well, instead of talking about millions, we're going to go deal with some issues that, you know, that are relative to billions of dollars and made us think about the kind of impact that business has when it's operating as a business and not as a philanthropy and the long-term impact that that can have.

And, I think, Rhonda mentioned it briefly, when she was talking about the supply chain and it was echoed with a question, we started looking at the value chain of Abbott's business, from the kinds of products that we were thinking about, and its relevance to different market places, how we source them, and how we work with different partners to source those products, and then how we deliver them, in terms of how do we pull from these areas of the economy that were on the sidelines of the global economy, and how we look to work with them through existing partnerships with an NGO like CARE – great to have Helene here – to see how we can transform how we do business, how we did business in the past and how we can do it in the future, so that we cannot just be responsible and transparent, but how we can be inclusive. And how, in the meantime, we could not just expand our presence in these marketplaces, but also really engage for long-term solutions to some of the most challenging issues that these economies were facing.

MS. TUTTLE: Great. I want to ask you, Mr. Kathwari, next to speak. You've been at the helm of Ethan Allen for many, many years, and you have personally deep interest and experience in international affairs. I'd like you to just comment a little bit about what the business community – what your role is in development and in foreign policy.

FAROOQ KATHWARI: OK. Well, Ethan Allen is an 80-year-young enterprise. Now, we are a vertically integrated company, from concept or ideas to manufacturing in the United States mostly, retail, design and everything else.

Now, first of all, I agree that this corporate responsibility of just giving some money away as a charitable really does not work. I've always said corporate responsibility is to make sure we treat people fairly, our customers, our employees, our communities and everywhere we are involved with.

However, I'll just give one or two examples of what we do. Today, we are still maintaining 70 percent of manufacturing in the United States and I don't think we could have done it without what I call a partnership between the developed and the developing world. For instance, we manufacture wood products. We have sawmills. We also make a lot of sofas and chairs.

Now, in United States, to get sewers, people who sew, is hard. So about four years back, we established – we purchased this very small plant in central Mexico. It started at about 35,000 square feet with 70 people. Today, it is 260,000, state-of-the-art, with about 750 people, producing almost \$500 million worth of sewed fabric which comes to the United States and we now ship it also to China. We have 74 locations in China. We would have not been able to do that if we didn't have this operation in Mexico.

Similarly, about a year back, we operated – we set up one in Honduras because we've got manufacturing in Vermont, but making chairs is a very labor intensive and we can't compete. So we are now in the last year-and-a-half with about 180 associates. We'll go to about 6 (hundred), 700 in about a year and a half, making chairs.

So this question of partnerships, I think is somewhat of a unique concept, which is partnerships in the developed world and the developing world, and then as businesses, we decided that we will average our margins. If we think that we're going to get the highest margins, we'll close everything here in the United States and move somewhere else. We decided for longer term that does not make sense.

That really is in my view a concept that really is not practiced as much. You say it's completely either here or completely somewhere else. I think we can combine – because we also have to make sure that we maintain jobs here. I think maintaining jobs and even the question of having control over your own destiny makes sense.

Now, the last one that we are very much – I'm very much interested in right now evaluating and working on is entering the Indian market in retail, but working to establish something like Mexico, where the cut-and-sew is going to be in Kashmir, where I, you know, was born and is one of the – really problem areas of conflict. People need jobs. And the upholstery will be made somewhere else in India. I think that parts and manufacturing in the United States, if we are able to do this in an area of conflict and then also utilize some others areas in India, which need also employment, I think those kinds of partnerships are very, very important. That's what we are doing.

MS. TUTTLE: So Farooq, you're saying you've got future growth in developing countries that anchors jobs here and you're saying that in order to keep jobs in the U.S., you have to look to some other markets for some of your workforce.

MR. KATHWARI: Absolutely. I mean, I am talking of combining the two, it makes sense, but it needs a lot of investment and takes a longer term thinking than just short-term. Short-term, you say just give it up.

MS. TUTTLE: Paula, I want you to weigh in now because you're at Hess now, but before, you really built up Pfizer's engagement. And pharmaceutical companies had a very unique role in the development and sort of the changes in thinking around what companies are doing in this area, and you have a background in CARE, so you kind of come at it from that perspective. Can you just talk a little bit about your experience in how thinking has changed over time and what role you think Hess and other companies are playing now?

PAULA LUFF: Well, I think to paraphrase Michael Porter, corporate citizenship is not about how you spend your profits, it's about how you make them. And each of us do that in a different context, but I think we've evolved from check writing random acts of kindness to really thinking strategically about our global footprint and what does that mean. So, you know, where am I operating? What role will strategic philanthropy play to advance society and my business objectives? What role will supply chain play? What role will engagement with stakeholders play? And how do those all fit together? And it's going to be different from company to company and it's going to be different from setting to setting.

Very often, corporations kind of become active because – in response to a crisis. So when you talk about pharmaceuticals, I think we became extremely engaged when – in the case of my former employer, ACT UP made it up to the chairman's office and he was there. That gets you a program pretty quickly. And I think our leadership and corporate leaderships have begun to realize that if we are not at the table with other stakeholders and other actors, as part of the solution, focused beyond just creating shareholder value, then we will be on the menu for lunch, and shame on us.

So I think the role has changed. And I think society's expectations have shifted.

MS. TUTTLE: And to that point about society's expectations, the areas, and the countries where you operate have specific expectations of you as well. And you have said that you view your investments and your plans as part of your sort of operational edge. Can you just talk a little bit about that?

MS. LUFF: Yeah. I mean, we're not as big as Chevron. We love Chevron and we partner with them in many places. But we're a smaller operator. So for us creating social value is actually kind of part of the competitive edge. And I think our management would like a host government to say to another host government – we know this has happened – take a look at Hess. They're small, they're a good operator and they'll leave your country better off for having been there. And that is the sweet spot, this is the business that we're going for. It's saying that at the end of the day, we've built capacity, we've built an energy sector and the place is better off for having engaged.

MS. TUTTLE: Great. Now, Hunter, you've kind of circulated in all of these different sectors. You are in business right now, but you served as the chairman of the World Food Program

USA and you've obviously been around government your whole life. I'd like to just ask you to talk about sort of what brought you to World Food Program? What role you see development taking in broader U.S. foreign policy and how we can better leverage that?

HUNTER BIDEN: Oh, my organization, the company that I run is a little bit smaller than Hess and Abbott and Ethan Allen, so –

MS. TUTTLE: That's OK.

MR. BIDEN: – yeah, just a little bit smaller. But, I look at it much more from the perspective of the hat that I wear as the chairman of the World Food Program U.S. And it seems pretty self-evident – I think that a number of your panelists have probably already covered a lot of this, but at the risk of repetition, I think at least in three areas our foreign policy is absolutely dependent upon foreign assistance. The first is just simply our moral obligation, from my point of view. You know, one in eight people in this world go hungry every night and from simply the perspective of our moral obligation, I think that it's in our DNA as a country and I think it informs our values.

And not only that, I think it has the potential of informing the world of our values. And so simply from that perspective, I think that it has a – I'd say – I'm certain a number of people here – probably the majority of people here have been to Dadaab, to a refugee camp, whether it was Dadaab or another, they've been to a school feeding program, whether it was in Afghanistan or Kabira, and seen those sacks of food that say gift from the American people. And I think that that has a significant, significant impact on our foreign policy long-term. I like to think that it has a significant impact.

But the second is just in our naked self-interest, and that's economic. I think if you look at it – and I think that Ambassador Green touched upon this earlier – was that out of our 15 largest trading partners, 11 were former recipients of U.S. foreign assistance. So from my perspective, it seems to me, where 95 percent of our customer base is outside of the United States, it makes all the sense in the world, whether you are Chevron, Abbott, Hess, Ethan Allen, or any U.S. company, to look to lift up the rest of the world simply for the single purpose of trade and our ability to grow our own economy.

And then the last place where I think that it really makes an enormous amount of difference and I find that more and more – not only whether it's at WFP USA or elsewhere – I sit on the board of USGLC, a number of other organizations. I teach a class at Georgetown and we talk about this constantly, about advocacy. Our foreign assistance is a vital, in my opinion, to our national security. I think that if you look at what happened between 2008 and 2009, where you saw food prices spike and in the wake of that, you saw over 40 countries that had major and significant riots, I think that there is a direct link.

I also think that there is an obvious direct link in terms of the places where you have the greatest humanitarian need or also some of the places where we will see in the future and currently our greatest security focus. Just take, for instance, Syria, Yemen, Mali, the list goes on. But those are the places, for instance, where WFP is in operation and constantly operating in order to be able to get emergency assistance in. But for the rest of the world and for all of the other actors out there, including CARE and other organizations, other NGOs, it seems to me that as it relates to our

security, I don't think that you could find a – someone in the military that's been acting in the field that wouldn't say that our biggest bang for our buck is in our foreign assistance programs.

MS. TUTTLE: That's a great way to start off on our sort of next round of questions and thinking because one of the things we spent quite a bit of time talking about as a group was this question about what do you mean by economic growth, what do you mean by broad based growth. And I think everyone is very emphatic that no one in the group thinks that foreign aid or foreign assistance is not really vitally important and no one thinks that there isn't a very important role to play. But I think what we really started talking about was opening up the prospect for all of the other tools that are in the U.S. government toolkit, that already exist, that don't necessarily need to be re-made or need more money, but that could really leverage what we're already doing.

So we started talking about how foreign assistance is often thought of as a government tool, but how do you open it up so not only do you bring other sectors to the table, but you bring other agencies. So you bring USTR more fully, you bring the Commerce Department, the Foreign Commercial Service. You buff it up and put it in countries where it hasn't traditionally operated to open up markets. And this got Kathy's blood pumping a little bit, as I talked to her a couple of times, saying people don't understand where we're coming from. People don't understand that we're not talking about just putting in some money for a new project or a new partnership. We're really talking about long-term investments. We're talking about really using a much broader set of tools.

And I think, Kathy, if you can talk a little bit more about what you as Abbott think of as your development impacts because I think they are very different from what we tend to think of– or we've tended to think of in Washington – and as you think about development, you think about health, and you think about education, you think about food security, you think about all these buckets of stuff. But you've come out and you've said we think our operational practices our real development leaves behind. So can you just talk a little bit more about that?

MS. PICKUS: Sure. And, you know, just before I do get to that, I just want to build on what Hunter said about, you know, the need and the moral obligation to assist. And I think that we are all committed that there are different levels of engagement. And one of the things that we're trying to do is cover off on both obligations in terms of charitable donations and contributions, as well as those long-term investments.

And one of the things that we saw as a shift in terms of the percentage, for the longest time, it was all about the charitable. It was the corporation giving to the foundation. It was writing the checks and that was it. And that was covering off in certain crises against real need and we'll continue to do that.

But what we saw as an opportunity, to get to the point that you just made, is how we can leverage our capabilities and our expertise as a science-based company and really stepping in in partnerships that involve organizations like CARE or the government of Tanzania, or even other NGO-like Partners in Health to not just write a check, but also stand side-by-side with that organization to help them think through how they are going to change their model for sustainability, not just have programs or plans that are completely dependent on charitable donations to operate, but how can we leverage our expertise and help them understand the need to think about supply chain and sourcing, to think about how financial management of an institution can drive revenue

generating practices, which will then leave them from being dependent on charity to really in command of their economic future.

And what we're seeing is that when we pull to the table, they will say most often, well, you know, money is also important, but what we really need is we want access to your quality team, your manufacturing experts. We want to understand how do we really assess a site before we build a facility to make sure we understand what energy and water – that's what business is now contributing, which will really help them for the long term go towards more independence from just financial donations.

One of the things that we were looking at before we started our work in Haiti with Partners in Health was an assessment over five to 10 years of how much money we gave to meet need. And it was close to \$30 million. We've invested \$8 million in the past three years to drive a sustainable program with Partners in Health that in two years will begin to start delivering revenues in a self sustaining way for that organization. And that's what we're saying can be a real difference for business engaging in partnership with government and NGOs.

MS. TUTTLE: Great. I'm going to come back to you on the partnership in health question in a couple of minutes as well. Mr. Kathwari, I wanted – and I want to ask the rest of you – and we want to be as productive as possible because I think another thread that ran through our discussions is the enormous capacity of the U.S. government and enormous talent of – you know, of our USAID workforce, of TDA and OPIC and Ex-Im and MCC.

The workforce that we have and the civil servants we have are enormously talented. And when you go to the field, you see that they're outshining a lot of other actors in the field. So we want people to feel like they are welcome and embraced and we want to talk about some ways to deepen engagement between the business community and the government. I'm wondering, Mr. Kathwari, can you talk a little bit about some perspectives that you see?

MR. KATHWARI: But before I do that, I'd just like to also mention that what we are able to do is establish a high standard of how to operate. That's a very important one. When I was in Mexico, we established similar environmental and safety standards as we have in the United States. We're not required to do that, but the people over there know it I think our investments were paid back very, very fast because when we treat people with dignity, they can see it. People are not fooled very easily all over the world. They know when somebody is doing it right and somebody is just trying to make it as a PR.

I think there is not a good understanding of how businesses can partner with the government. And we don't have the time to spend a lot of time in Washington – (Sherry ?) don't comment. And we don't spend a lot of time in trying to figure out how to go around working here.

Now, we are in all these countries, and I was listening today and I said, you know, we could have gotten a lot of aid and help from here because almost 700 people in Mexico, 95 percent of them are women. The reason people leave from South America to North America is because they don't have jobs, or from North Africa to Europe. Those migrations take place because they don't have jobs. And I think there has to be a much better understanding of how enterprises can work with the government and as was said earlier, I think it really has to start right from the top, the president in convening, and then it has to filter through. And at the end of the day, the process has to be easier, too, because in business, as I said, we cannot afford to spend a lot of time in process.

We want things to happen. And government spends most of their time in process. That's where the difference is.

MS. TUTTLE: (Laughter.) Paula, do you want to comment on that before I jump to my next question for you?

MS. LUFF: Well, you know, I do think it's hard for us to engage with government. It's hard for them to engage with us. We don't know each other very well. And one of the things that came up in one of our meetings was this notion of potentially midcareer, long-term internships, maybe getting some folks from, you know, Trade or Commerce or USAID seconded to private corporations and vice versa, getting some private sector folks seconded to the government.

In the private sector, we've done that. We did it at Pfizer by putting skilled people in NGOs for six months to a year, worked out really well. But I think that this type of exchange would help us get to know each other better so that – to echo Ambassador Green's comment earlier, you know, we're not calling each other at the 13th hour saying, hey, I've got a great idea, want to be a partner? It's already begged. You know, I think if we get to know each other, we'll get to intervene and collaborate earlier and be a little bit more productive.

MS. TUTTLE: Great.

MS. LUFF: And maybe get around some of that process.

MS. TUTTLE: That's right. And I think long-term, what the whole group saw was that we talk about partnerships or we talk about sort of getting together, but that's really a starting point. If you want to reach the vision that we all talked about five years down the road, maybe that is – we talk a lot about partnerships, and that's important, but it's maybe an entry point, because ultimately, you want to shift to long-term engagement and knowing each other and being almost embedded with the other sector.

And Hunter, I want to ask you just to delve into it a little bit more because you've talked about different areas where you see technology or resources or ideas in the private sector that aren't quite able to make their way into government or to solve problems. You're looking at how do we solve problems quickly and with agility, and sometimes, it's just too thick of a bureaucracy to get through. So can you talk about some ways that would improve this or make us more effective at programming economic growth?

MR. BIDEN: Well, first of all, I think that you cannot underestimate the power and the need for a government-to-government relationship. The truth of the matter is that issues relating to rule of law, security, it's absolutely essential that they have the imprimatur of the U.S. government to be able to do that. But in terms of the innovation, the ability to address a critical need that may depend upon a technology or a business process, the U.S. government is not very good at that. They can be good at partnering and finding people to be able to help with that. There's a number of organizations that are, I think, doing a great job, including some inside USAID, OPIC, Ex-Im, others that have been very powerful in terms of that. But the truth of the matter is – is that I think we are doing a pretty good job in terms of engaging the private sector to enable solutions.

In 1969, 70 percent of our foreign assistance came directly from the U.S. government. Today, 80 percent of our foreign assistance comes directly from the private sector. I think that says a lot to begin with in terms of the way that it has shifted.

Now, that's not to say that there is not, again, a critical need for at least that 1 percent of our foreign assistance in our budget to at least be maintained, if not increased. I think that the U.S. government has done a great job over that, from 1969 to date, to allow for private sector to play the role that they have played.

And in terms of examples, I mean, from the WFP alone, which is, in many ways, the largest humanitarian organization in the world just in terms of raw numbers, what WFP has been able to do in terms of supply chain management is pretty revolutionary. I think that as much we have studied UPS, UPS has come to study WFP. The largest fleet of airplanes, I think, that is owned by one organization, not private, in the world, and move amounts of food around the world, not only on an emergency basis, but in just a constant movement that is mindboggling.

But we've also been able to do things like target just specific needs with small technologies. I know that I visited in the northwestern part of Kenya, on the border with Sudan, which used to be a big launching point for a lot of the WFP supplies to go into Sudan, and that has obviously dissipated in recent years. But we've – in Turkana, we have used, for instance, Israeli technology as it relates to planting bund technology, which I can't explain and please don't ask me to explain because I'm not a farmer. But I was there and I think Howard Buffett had visited and it's small technology, but it is making an enormous difference in the everyday lives of small hold farmers, small leasehold farmers, which make up over, I think 500 million small leasehold farmer jobs there that are in abject poverty and also many of them are the ones in the greatest need, even though they're in that agricultural food chain.

So in terms of private sector involvement, I think it ranges from the incredibly large things that a Chevron or an Abbott or an Ethan Allen or a Hess can do to trying to figure out ways with NGOs, where you find little technologies that can make a real difference in the course of millions of people's lives over the course of generations.

So –again, there're so many, I think, but I just look at what Wal-Mart and Coca Cola are doing in terms of agriculture and in clean water in conjunction with USAID. And I think it will be transformative. I look at what a company like Yum! Brands does in terms of just corporate giving and the ability that they give to World Food Program just through a very innovative way to involve all of their partners around the world in giving. I think that programs like that are the future.

MS. TUTTLE: Well – and I should talk a little bit, too, about our definition of private sector, because I think we had some questions. Well, private sector led growth, are you talking about privatizing aid, what are you talking about here? Are you just talking about multinationals? And where we started with this group was let's start with American multinationals. They operate under one set of rules and legal requirements.

We've got a good starting point. And let's start from there and go and delve in, but also let's acknowledge very much upfront the importance of when we say private sector-led development, we're talking about the model like we saw in Eastern Europe, the model where you want to boost those economies, you want to do what the government can do to help economies grow

and build up small and medium enterprises, small suppliers, and plug them into larger supply chains.

And Kathy, I'm going to ask you to talk a little bit about some of your work, because this is exactly the model that you're using. How do you spot a need, a market need, and help people build up the ability to meet that need and build a bunch of skills and capacity in the meantime?

MS. PICKUS: Well, there're two different ways. We can do it through the partnerships that we have in a place like Haiti or we do it in a place like India, where we see an emerging market. And I'll touch first on the Indian opportunity because what we've seen over time, and it's true of our business in China and other places in the world, where historically, whatever product was sold in those markets was made somewhere else and shipped half way around the world, at great expense, environmental, as well as cost, and also had some challenges once it got to the customs in order to get into that market.

And what we decided to do was to really deliver goods and services and do the manufacturing closer to the market. It made sense for a wide variety of reasons. It cut down on the expense. It cut down on the environmental footprint that we had, but moreover, as we started to build manufacturing or to source closer to these markets, there's a lot of trust that was built, because we were working in tandem with different organizations within that economy to really think through how we would supply it or source these ingredients differently.

And we started to look critically at partners that we had previously thought of as charitable recipients of our donations. And organizations like CARE, we sat down and said, you know, rather than working with the foundation, why don't you this time work with the corporation, and we can see how the women that you've been working with in these communities can be a part of our value chain going forward, providing them with training, capacity building, as well as long-term employment that they could depend on. They had revenues that they could count on for years to come, not just one contribution year after year.

And they also had a sharp increase in terms of the capabilities that they had, skills that were transferrable, as Rhonda had mentioned. You know, she's saying that they not only were active and delivering a high standard of product, but moreover, they have the ability, going forward, to really serve other businesses as well and increase the competitiveness of this – of that economy.

So that was a shift going forward in terms of the core business, thinking strategically and differently about its aid and assistance.

MS. TUTTLE: And it's difficult.

MS. PICKUS: It's really hard.

MS. TUTTLE: It's difficult. It takes some time and effort and energy.

MS. PICKUS: And it's not a shift that takes place in a year. I mean, these conversations that we're having with NGO partners and also governments, it takes a lot of patience and a lot of handholding, a lot of explanations in terms of what to anticipate – and there's also a little bit of a – you know, we've never worked with you before in the past. How can we trust that this is going to

be a long-term solution, moreover, it's going to be a long-term advantage for society? And it requires a lot of patience.

MS. TUTTLE: And so you mentioned host governments. So we did spend quite a bit of time talking about governments and how do we partner long-term with governments, how do we have a partnership really starting with U.S. government to host government that looks to build a long-term trade and investment relationship, and how do you use our foreign assistance dollars to move along that path, rather than to be project to project. And the administration has talked about this a lot and made a lot of critical statements and efforts toward this goal.

And Mr. Kathwari, you've done business in a lot of these countries, a lot of different countries, and I wanted to ask about your experience with host countries and governments, and how do you work with them and what are some areas to deepen and improve and mature those relationships along the lines of what Kathy's saying.

MR. KATHWARI: First of all, you know, Hunter, we are not as big as Chevron or Hess. (Laughter.) Now, the reason I'm saying that also is that we're a midsize company. Now, we have operations in many other countries – many parts of the world, but it is more of a challenge for companies like us to have access to Washington – but there are hundreds of thousands of companies like us, which need to get involved. I think the bigger enterprises, they have the resources to do it.

I think this question of what you just mentioned – and I was thinking about the challenges that are there. We can go to a country now, like for instance, China. You can go in there, work with the government, establish manufacturing, and China has also developed a market. Now, India, to some degree, has the same thing too, but there are many parts of the world where there is extreme poverty, where they don't have the markets. So the challenge becomes how do you go there and what do you do there because whatever you do over there, it has to be exported.

Now, if we went to Mexico and we're in Honduras, if not for the Mexican market or the Honduras market we would not be there. So I think this question – and some of these areas are very much key. We're talking of conflict areas. I mentioned India and the Kashmir region. It's 50 percent unemployment. Most of the people there are spending time on strikes rather than working. And so we thought that it would make lots of sense to combine the opportunity of getting people to get work, mostly women and then sending that product to India, which is now a growing market. So I think this kind of an opportunity makes sense and you've got to convince the governments to do this.

So we are right now in the process of convincing the government in India and then in Kashmir, which is of course – you know, this is Kashmir part which is administered by the Indian side, to make this happen. I think if you were able to do that, you have many areas of areas of conflict, tough, difficult. And that's where I think perhaps the United States agencies would help us in – whether it's a risk taking or whether there is this initial feed that we can get. And even while I was listening to what CARE does. Perhaps enterprises like ours can also collaborate with them because they have a specialization of how to help the people in the field, whether it's their health or education and take care of many, many social needs.

I think those kinds of combinations is where the government, NGOs, and enterprises like ours, midsize enterprises could work together well.

MS. TUTTLE: Great. That's great input. And Paula, I want you to follow on and talk a little bit about what you're doing, who you're working with, how you decide what to do in the areas where you operate, and what your relationship is with host governments, as you're talking to them.

MS. LUFF: The host government is one of the most, if not the most, critical stakeholder we have. We are guests of that host government. We are business partners with them, helping not only extract energy resources, but build indigenous capacity to do that. So they're critical.

You know, I think it varies from place to place, but the communities where we operate are critical partners and stakeholders, suppliers, our business partners. And I'd like to see a way to engage the U.S. government more robustly. I don't think we've optimized that as much as we could have. We too, we have one person in Washington, so we have a very small presence here, so very limited capacity, but I think at the country level, being a little bit more systematic would serve us well.

The U.S. government can help all industries, especially ours with the kinds of difficult conversations that are hard for us to have one-on-one, whether it's around the rule of law, whether it's around human rights, whether it's around transparency and anticorruption. Those are difficult conversations that we need some help having sometimes and reinforcing.

I also think that we could engage the U.S. government in certain kinds of capacity building that – you know, where they have a lot of expertise, particularly USAID and perhaps we could partner more effectively that way as well.

MS. TUTTLE: And one thing – and Ambassador Green raised this earlier, you've got an embassy and within the embassy, you've got the aid mission, you've got sort of the sort of embassy operations. You've got the commercial division, and how you bring all those pieces together to have these conversations so you know who to go to first is a really critical potential area for growth.

MS. LUFF: I think the embassy, actually, is a great entry point. It's easier, particularly for companies with a limited Washington presence to navigate an embassy in a country than to navigate the city and the various agencies here.

MS. TUTTLE: And we've heard that quite frequently.

Well, Hunter, I'm going to ask you the last question before we go to audience questions. And I see Mr. Yohannes has joined us, so we'll have his closing keynote in a couple of minutes.

MR. BIDEN: I'll be very fast.

MS. TUTTLE: You don't have to be fast.

(Cross talk.)

MS. TUTTLE: Well, though, I've got a big question to ask you because this goes to Helene's point that we talked about economic – and Anne-Marie Slaughter said, look, we have to not use the term "economic growth" because it has all kinds of heavy baggage. It is sort of the macro-economist discussion versus the humanitarian and development discussion. Let's try to break through that and talk about broad-based growth, and talk about what we really mean. We

mean that health is still vitally important. That education – Paula, you’re very involved in education – education’s very important.

All of our efforts are vital for a long-term growth and success of any economy and of any country or community. But thinking about how you translate sort of the broader growth into poverty reduction is really important. Hunter, I want to ask you to kind of give some thoughts about that because food security, ag development is one of the areas where you see this probably as one of the biggest opportunities. And you had made the comment, look, you can’t think of economic growth over here and ag development over here. You’ve got to bring them together in poverty reduction. So can you just talk a little bit about that –

MR. BIDEN: Sure.

MS. TUTTLE: – before we go to audience questions.

MR. BIDEN: Sure. Just a comment, that one – a little shout-out for the Foreign Commercial Service. It’s an unbelievable underused asset. The Foreign Commercial Service, as an entry point into any country – just to begin with, right here in D.C. is an incredibly invaluable tool, just to start, particularly for small-and medium-size enterprises. And it’s amazing how few people access that knowledge and knowledge base. And, you know, sometimes, it can also be a little bit of a bureaucracy like anything in government can be, but I’ve had nothing but incredible success, particularly for smaller-to medium-size enterprises that are looking to enter into markets. I used to work for the Department of Commerce, so that’s for Secretary Gary Locke, he would have liked to hear me say that.

Now, in terms of the large idea of should we have a comprehensive approach, I think it’s kind of self-evident we should have a comprehensive approach. It doesn’t make any sense to kind of only treat the symptom or the disease, but not the underlying symptoms of the disease. I think PEPFAR is the kind of the best example of a working model about how to go about doing that.

I know that PEPFAR is not without its problems, but PEPFAR didn’t just come on to the scene with antiretroviral drugs and simply on an emergency basis and distribute those drugs. They also had prevention programs. They had education programs. They had nutrition programs that all went along with that, which I think have varying degrees of success added to the overall acceptance of PEPFAR as an incredibly positive program generated from the U.S. government, assisted by the private sector and distributed throughout most of Sub-Saharan Africa and now other places in the world.

So as an example, PEPFAR is where you begin. It’s interesting to me, from WFP, because there are finite resources, there is always going to be a fight within the NGO world between the emergency assistance people and the development people. And “fight” may be too strong a word. There’s always going to be a tension between that. And some of the tension is when we’re getting into each other’s lanes.

I hope, going forward, we’re going to have a lot more cooperation along that level because I think that some of the long-term emergency assistance groups that are out there, that have been in country for a very long time on an emergency basis that has just continued – take the Dabaab as a perfect example – have a lot of on-the-ground knowledge to be able to take some of the development programs and instill them into the areas where they have real expertise. At the same

time, we can't forget about the need for emergency assistance. And dollars are finite and they are becoming more and more hard to find in this environment, at least within the U.S. and also globally.

You know, it doesn't matter if you have the best ag development program that we could possibly conceive as an entire group if the vast majority of your population is suffering from acute malnutrition. It just doesn't matter. At the end of the day, you are not going to have a population in which – that can benefit from that ag development program.

So we have to look at both and we have to take both into consideration. And I think if we did a lot better job of working together on that, from the emergency side and the development side, you'd come up with – and we have been. And this isn't all bad news. The good news is that I think that a lot of organizations have been able to do that. But it's going to take a lot more cooperation at the end of the day in order for us to get it right. But obviously, a comprehensive approach is better than some of the things that we have been falling back on in just covering the wound with a band aid only to see us back where we were whether months or years ago.

MS. TUTTLE: Well, great. And with that, we have time for probably a couple of questions from the audience. We've got – let's see – Meredith in the back and then woman in the fuchsia jacket. You get the microphone. And we'll take them together, let you guys answer, then we'll go to Mr. Yohannes.

Q: Thank you very much – (off mic.) If you think about building a broader constituency for development, do trade agreements play a role here? What is the nexus between negotiating a new trade agreement and encouraging some more capacity building – (off mic).

MS. TUTTLE: And then, right there. Thank you.

Q: (Off mic.) And I noticed in the report that underlining the fact that women continue to encounter higher interest rates and more demanding collateral requirements, despite the fact that they're often better at returning loans. And I'm just wondering if you could comment on some of the discussions that you may have had as the report was being put together about how the public-private partnerships could do an even better job of engaging with more women in business.

MS. TUTTLE: All right, and – anyone – who wants to start? Kathy.

MS. PICKUS: I'll start just on your comments about women. And I have to point to Carly Fiorina about her insistence at almost every meeting that we think strategically and critically about the role women can have in terms of advancing global development. And I think that, you know, across the board, we have seen great, great return, when we have looked at women as recipients of investment and the payoff that you get, whether it'd be partnerships that train and educate them.

One of the things that we had done really initially in our work outside of United States and sub-Saharan Africa was investing women in Afghanistan as midwives and providing the midwife training. And the return on that investment was just unbelievable. What we found within the year of their completion of training is that each and every midwife had a job in one sense or another and was making money for their families, investing that money, again, in their girls' education and really developing a cycle of credentialing and education, which is – you know, we'll see the results and the impact for years to come on that. So it was a critical part of our conversation in that regard.

MR. KATHWARI: On the question of trade agreements, for us, without NAFTA, we would most probably not have established as easily the operations we have in Mexico and Honduras, which enables us to maintain manufacturing in the United States, because as I said, they are not producing parts which you could not have produced here. And most other companies in our industry decided to close everything and went offshore. So in our case, NAFTA helped us to make it – and made it easier. And I think it'll also help us, as those economies grow, to export our products and sell our products in those countries.

MS. TUTTLE: That's great. Do you two have comments. Go ahead.

MS. LUFF: OK. I was just going to build on what Kathy was saying about reaching women.

MR. BIDEN: So was I.

MS. LUFF: Oh, good. (Laughter.) Do you want to go?

MR. BIDEN: No, no.

MS. LUFF: But I think, you know, we also have to be mindful that in many cultures, while you want to reach women, you have to work through men. And I don't know that we know how to do that perfectly across the board. In many cultures women just simply don't have access to rights that we take for granted here because 100 years ago, our grandmothers fought for that. So I think more study and a more rigorous exploration needs to happen to be able to really reach women effectively and close that gap.

MR. KATHWARI: In our home, the women, rule. I don't know what –

MS. LUFF: In our house, too. (Laughter.)

MS. TUTTLE: Hunter, you want to –

MR. BIDEN: In mine, I have three daughters. (Laughter.) I had to name my dog Brother. (Laughter.)

MS. TUTTLE: I got my husband a male cat.

MR. BIDEN: Yeah, exactly. So – but just a data point from the agricultural and – as it relates to food security. FAO estimates that if you gave the same access to agricultural inputs as men to women, you can increase production by 20 (percent) to 30 percent, reducing the number of chronically hungry people in the world by 150 million people. It's amazing the impact of providing women with the tools to be able to compete or to be able to feed their own children, what it does to an entire community.

And I know that Secretary Clinton has been harping on this for the last four years, and long before that, many women that have gone before her and many men that have gone before her. And it is incredible the return on investment when you invest in women in communities, and particularly these communities, in terms of what it does for the entire community.

MS. TUTTLE: With that, I'm going to actually ask you all to stay here while Mr. Yohannes gives his closing keynote. I'd like to invite Daniel Yohannes to the podium and do a brief introduction. I think most of you know him, but he is the CEO of the MCC. We've talked about the MCC today. It is an agency devoted to economic growth. It broke the mold in terms of putting together agreements with countries that would promote their own growth and promote a specific path to success. So the MCC really has been designed to do a lot of the things that we're talking about today.

And Mr. Yohannes has been the CEO since 2009 and really practices what he preaches. I think he's on the board of about a dozen different nonprofits and groups and really is devoted to seeing these ideas move forward.

We're so grateful that you could join us to really close off this afternoon of conversation. And we're going to be your, you know, behind the scene audience over here if you don't mind, for you to go ahead. You can just press the button.

DANIEL YOHANNES: Good afternoon. Thanks, Johanna. It's great to be in the company of so many incredibly passionate individuals from across government and business who are shining the spotlight on the crucial role the private sector can and should play in supporting the growth and prosperity of developing countries.

Development alone can only do so much, yet development resources leveraged by active private sector engagement are key to sustainability and impact that can make all the difference in the lives of the world's poor.

The Executive Council on Development here at CSIS understands this dynamic link and I applaud your tremendous work and congratulate you on the release of your report. It's also a link that defines the Millennium Challenge Corporation's leadership in promoting development through one key ingredient, economic growth.

Like many of you here today, I come from the private sector. I was drawn to MCC precisely because of our unique approach to global development, where we work to reduce global poverty by promoting economic growth. And we know that economic growth depends on the driving force of the private sector. That's why I have made partnering with the private sector a personal priority as well as a priority for MCC.

Given the current climate that has all focused on budgets and bottom lines, the role of economic growth in U.S. development policy and the importance of leveraging the private sector to generate such growth have never been more crucial. So we need to invest in getting this right to deliver the sustainable impact the world's poor deserve and American taxpayers expect of their development investments.

Make no mistake about this. Getting this right means embracing the private sector as a partner in development. That is precisely why we have a dedicated team at MCC charged with engaging the private sector.

MCC's finance, investment and trade team, what we call FIT, is coordinating with companies and exploring partnership opportunities to attract regional and international private sector interests in our partner countries. The team also supports local businesses and promotes

homegrown entrepreneurship. We look for ways to include the private sector in designing and implementing our development investments.

Ladies and gentlemen, often business is the first to recognize and understand the constraints to economic growth. So we want to have the conversation with them right from the beginning. They can help us direct our funds toward projects that would advance economic growth and raise the incomes of the poor. As it is done in the private sector, we calculate an economic rate of return for each MCC investment to make sure our investments have the most impact.

That's also why MCC continues to inform U.S. companies of business opportunities in our partner countries around the world. We reach out to American companies through various ways to inform them of MCC funded procurements. These are transparent and competitively bid. Through competition, we have seen both the private sector and development effectiveness win by generating business opportunities, fostering local entrepreneurship, creating jobs, supporting competitive pricing and sustaining impact. And as we publicize these procurement opportunities, MCC will continue to cooperate with other U.S. government agencies in a whole-of-government effort to help U.S. businesses gain footholds in emerging markets.

Earlier today, you heard from my friend, Elizabeth Littlefield, president and CEO of OPIC. OPIC plays an outstanding role in mobilizing private sector solutions for development's greatest challenges. Their efforts are incredible and making a difference for American businesses and the world's poor. MCC welcomes more and more opportunities to work with OPIC to promote private sector activity and investment.

And that's also why we demand that our partner countries create and sustain enabling environments for business and trade. We do this by insisting on pro-business policy reforms as we select partner countries. We look at inflation, fiscal policy, ease of starting and registering a business, regulatory quality and land rights. We specifically look at a country's commitment to controlling corruption and advancing democratic rights.

I am happy to note that our focus on policy reforms to create pro-growth, business friendly environments is working. In a survey conducted by a team of researchers from the College of William and Mary, government officials in developing countries around the world ranked the influence of MCC's policy performance scorecards greater than any other external measurement system.

Our focus on policy reforms does not end just in creating the right environment for businesses to succeed. We also see enormous value in integrating policy reforms within actual development projects. That's because specific sector and institutional reforms promote the sustainability of our investments.

Like all of you here, the U.S. government increasingly understands that our development dollars go further and do more when we partner with the private sector. MCC is no exception.

Take, for example, Pike Electric of North Carolina, which won a \$14 million contract to improve access to electricity as part of MCC's investment in Tanzania. Pike never worked internationally before and now has a foothold in Africa. And as a result, Pike is seeking to expand its business in the continent.

Or consider how a private-public partnership through MCC's investment in Jordan is expanding a wastewater treatment plant that will help the country tackle its major constraint to economic growth, access to clean water.

Working closely with Feed the Future, which serves as the president's Global Food Security Initiative, consider also how MCC seeks to partner with U.S. agribusinesses and leverage their innovative spirit to promote international trade and investment opportunities. This benefits the U.S. agriculture sector and creates prosperity among smallholder farmers and their families in developing countries.

Through these examples and others, we know development can do a world of good when we include the private sector in program design and implementation, focus on economic returns, creating an enabling environment for private sector investment, and foster competition.

President Obama said it best in his State of the Union address last January. "Progress in the most impoverished part of our world enriches us all, not only because it creates new markets, more stable order in certain regions of the world, but also because it is the right thing to do."

MCC is committed to this course moving ahead, to deepening our engagement with the private sector, to do the right thing. As companies grow their bottom lines in emerging markets, more and more families will experience the economic growth that will move them above the poverty line.

Ultimately, this is how we can achieve our shared vision for sustainable global prosperity that benefits all of us. Thank you. Good night. And God bless you. (Applause.)

MR. PRITZKER: So that closes our day today. I want to thank all of you for attending, all of our panel members, Johanna, Dan, for the great work you did. CSIS is now going to take this out and has an entire plan to try and get traction with this report and get some of these ideas on the radar and into the conversation in Washington. Thank you very much.

(END)