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Transcript

America: Still the Indispensable Global Power?

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HE Louis Susman:

Returning to Chatham House is always a great pleasure and I am very gratified to be here again. One can always be sure of free and frank exchange at Chatham House, which is what I most enjoy as the American Ambassador.

Of course, many are lured here by the attraction of the famous Chatham House Rule and the opportunity it offers to speak more candidly. However, on this occasion I have asked that it is waived for my speech. I do not intend to be any more reserved in my opinions, assessments or conclusions. It is just that the case I want to make this evening is so important.

Because an argument is being made by some academics, commentators and journalists that America is now in permanent decline. The argument goes that a gradual but irreversible erosion of economic strength, the so-called 'rise of the rest', and the effects of two gruelling wars is stripping the United States of its power, influence and authority.

Now, there's no doubt – as President Obama acknowledged in his speech to Parliament last year – that the international order is being reshaped and that as we adapt to it, we face undeniable and significant challenges.

But we have overcome similar circumstances before. In the 1950s and 60s the fear was we were falling behind the Soviet Union in technology and ambition. The 1970s brought recession and unemployment to America; combined with a loss of faith in our system after Vietnam and Watergate. At the same time, Japan's economy was taking off. Then in the 1980s and 90s the tiger economies of East Asia produced an economic miracle of rapid growth unparalleled in modern history.

Each time America's standing was questioned. Each time America rose to the particular challenges it faced. Time and again the doom mongers and the defeatists were proven wrong. And I am confident that they will be again. There are many reasons for my conclusion but three factors stand out.

First, the strength of our economy.

Second, our military prowess.

Third, the power and scope of our international partnerships.

Let me start with the strength and resilience of the United States economy. Despite being damaged by the most severe recession in more than 70 years, America is still – by far – the world's largest economy. Today the United States is responsible for one quarter of all global economic output, just as we

have been for more than four decades. Our economy is growing – with the IMF, Federal Reserve and others projecting growth of somewhere between two and three per cent this year.

And the trend lines of the important economic factors continue to be strong. Unemployment nationally is at 8.2% – down from a peak of 10% in October 2010. More than four million private sector jobs have been created in the past two years. There is a renewed consumer confidence - essential to a self-sustaining recovery – where people are no longer paying off their credit cards but out spending again.

The Troubled Asset Relief Program – known as TARP – has ensured that our banks are stable and well capitalized. TARP authorized the Treasury to use up to \$700 billion to stabilize banks and other financial institutions. Ultimately, only \$410 billion was disbursed – including \$245 billion to recapitalize the banks. The Treasury is now confident that overall TARP will cost less than \$50 billion – in fact, the financial assistance we provided banks will actually result in taxpayer gains of approximately \$20 billion.

The stronger position of banks is helping to support broader economic recovery, including a 30% increase in private investment in equipment and software. Lending to companies is also rising by over 10% a year.

And America is still the No. 1 choice for foreign investment. US exports increased almost 16% last year to \$2.1 trillion. That is well on track to achieving America's ambitious goal of doubling exports by 2015 under the National Export Initiative.

Our manufacturing sector is making a strong comeback for the first time since the 1990s. The United States has added nearly half a million manufacturing jobs since the beginning of 2010. The revival is evidenced by General Electric bringing back manufacturing operations from China and opening new plants in America. The French company Michelin is investing \$750 million in a new plant and factory expansion in South Carolina.

And there is no better example of the recovery in American manufacturing than the United States automobile industry. In 2008, 400,000 jobs across the car-making industry were lost. Two of the big three manufacturers were on the brink of administration. Today, GM is the No. 1 car-maker in the world, Chrysler is growing faster in America than any other car company, and Ford is posting record profits.

So while always guarding against complacency, the American economy is on the right path to a return to full health. But one of our greatest and most enduring strengths comes from the fundamentals of our economic approach.

Our philosophy is built on the whole-hearted belief in free trade. While other nations – including some of the fast-growing emerging economies – still trade behind barriers, the United States continues to embrace market-based principles. Free trade means every country, every business, and even every individual, has a chance to compete.

That in turn creates the very jobs and wealth that lift people and communities out of poverty – both at home and abroad. America has firmly rejected protectionist policies; reaffirming our commitment to open markets with a number of new international free trade agreements.

We are also open to immigration. Our ethnically diverse society and a culture of opportunity continues to draw talent from around the world. The latest OECD records show that more than 1.1 million foreigners came to live permanently in America in 2009. A survey by Gallup published in April once again put the United States as the most desirable destination for immigrants.

Another distinct advantage America enjoys is the entrepreneurial spirit embedded in our DNA. Equally, our faith in free enterprise and freedom of thought and speech helps stimulate creativity and innovation. Today our companies – many of them small start-ups – are at the forefront of the high-growth, R&D-based industries of the future.

It is also worth noting that America is blessed with an abundance of natural resources. From the most arable land of any country on Earth to a diverse range of energy sources that will leave us increasingly energy independent. Current crude oil production is the highest since 2003, we have been the world's largest producer of natural gas since 2009, we have vast shale oil deposits, and use of renewables such as wind and solar has doubled since 2008.

All these underlying strengths make me confident that the United States will continue to be a vibrant and vital global economic power.

And a strong economy, of course, underwrites our second enduring strength: the capability and reach of our military. Clearly, we are in a period of transition; turning the page on a decade of war and at the same time dealing with our budget deficit.

But despite what some might say, America is not dismantling its defences. The truth is that in the wake of 9/11 and our response to it, our defence

budget grew at an extraordinary pace. In 2001 – the year of the attacks – annual defense spending was \$319 billion. By 2011 it had more than doubled to \$691 billion a year. So we are taking the difficult step of reducing our planned defence spending by around \$45 billion a year over a period of 10 years.

But this adjustment is in no way going to undermine America as the foremost military power on earth. Our defense budget was – and still is – larger than roughly the next 10 countries combined.

The new approach combines the need for deficit reduction with a recognition of the changing nature of the security threats we face. Today our policy encompasses a more agile, flexible, rapidly deployable and technologically advanced military – complemented with strong international alliances and multilateral cooperation.

Which brings me to America's third core strength, which is the power of our partnerships. Partnerships are essential in the 21st century.

Today's challenges are too many, too immense and too complex for one country to go it alone. This administration is intent on expanding and intensifying US engagement with other nations and with international institutions. As a result, the United States now has a range of formidable alliances on every continent. We don't see ourselves as a super-power believing unilateral action can solve everything.

A more direct, confrontational approach advocated by some in previous decades is clearly no longer appropriate – nor, I should add, would it be effective. The complexity of today's challenges demand a different style of American leadership. That's why today we see ourselves as a super-partner applying Secretary Clinton's focus on 'smart power'.

In Libya, for example, we used an effective range of tools – including diplomatic, economic, military, and humanitarian – in the multilateral alliance against Colonel Gaddafi. And we will continue to play a central role within the United Nations and NATO – and also inside the G8, G20, the World Bank, and the IMF.

At the same time, we are forging new relationships across Asia-Pacific, which is fast-becoming a strategic and economic center of gravity. This is what the Pacific pivot is all about. As a truly global power, we have widespread, enduring interests in the region – and they demand our widespread, enduring presence.

But turning our face towards Asia-Pacific does not mean turning our back on Europe. We are constantly reinforcing ties with our oldest and strongest allies, including our special relationship with the United Kingdom. Building and maintaining strong, mutually beneficial partnerships, however, does not come from government alone. Successful and enduring alliances are not simply born from the President signing a treaty, a trade agreement or military pact. They are entrenched and sustained by a range of additional assets that are hard to quantify but nonetheless highly significant: our values, our customs and culture, our institutions and organizations. In effect, what the United States represents to the world.

Take the timeless appeal of the values we embrace. Values of freedom, democracy, human rights, tolerance, opportunity and the rule of law. These are the values we promote on the international stage. And one way others learn what we stand for, and who we are, and what aspirations we share comes from the power of our example.

America's standing and influence is not only built on economic and military authority. Consider how the US was one of the first countries to send a message to the corporate world on transparency and bribery. We passed the Foreign Corrupt Practices Act because it was the right thing to do – even though it possibly put American companies at a disadvantage.

America was also among the first to take humanitarian action following the devastating earthquake and tsunami in Japan last year. We sent relief supplies, elite search and rescue teams, and disaster response experts - while the American Red Cross provided shelter for some of those made homeless.

The exceptional work of American NGOs and foundations around the world also provides US leadership on a number of global causes. In 2011 alone, American individuals, corporations and foundations donated almost \$300 billion to charities.

But it is not just the immense resources our NGOs bring to their efforts, it is also the boldness of their vision. The Carter Center – the organization founded by former President Jimmy Carter – is close to eradicating Guinea worm disease. It is also promoting democracy through monitoring elections across Africa, Latin America, and Asia.

And look at Bill and Melinda Gates. How easy it would have been for them to slip into comfortable early retirement, using their wealth to hide from the world's troubles. Instead, they were determined to use their personal fortune to help confront and overcome some of the world's toughest health problems.

This enlightened approach to public service and social responsibility is an explicit demonstration of America's 'hidden' role as a global leader.

Another source of international influence comes from our educational institutions. The excellence of our universities helps us to cultivate some of the world's best and brightest minds. Indeed, America remains the No. 1 destination for foreign students – attracted by a system that gives them the opportunity to pursue and achieve their ambitions. According to the QS World University Rankings, 11 of the top 15 universities in the world are located in the United States.

Perhaps that is why the US can also claim more Nobel Prizes than any other country. This widespread appeal of America is part of what makes us strong because it means our alliances are built on conviction not convenience.

We do not stand alone in the world. We face our challenges in partnership with others. And yes, of course, America has enormous challenges. So nothing I have said this evening is intended to sound either boastful or complacent. We recognize that we constantly have to work, and that there is still a lot to do to maintain our leadership in a turbulent world undergoing significant transformation.

But I do believe strongly that our continued leadership is more important than ever. And America is not perfect, we know that. Unemployment is still too high; the need for deficit reduction is essential and must be addressed; there remain issues around equality in our society; and aggressive partisanship is causing dysfunction in our government and cannot be ignored. In these and many other areas, we know our country needs to do more: to heal wounds, take courageous decisions, and adapt to new circumstances.

But the lesson from history is that America has always shown the capacity to overcome its difficulties. In the past decade, we've endured the deadliest terrorist attacks in modern history; two conflicts that have lasted longer than both world wars; and a global financial crisis on scale unprecedented in a generation.

Through it all, America has retained its global leadership. And, as I have outlined this evening, the sources of our influence are many and they are durable.

Our economic strengths are unequalled. Our military power unrivaled. And our international partnerships unsurpassed.

I believe that our weaknesses pale in comparison to our resilience and our strengths. This is why I can say with confidence that ultimately America will remain the indispensable global power.

Thank you.