ISSUE BRIEF : Q2 2019

SOLUTIONS 2020

FOREIGN POLICY BRIEFING

JAKE SULLIVAN AND ED MEIER

BUSINESSFORWARD | NATIONAL SECURITY ACTION

EXECUTIVE SUMMARY

American global leadership and reputation has fallen dramatically under President Trump. China is now viewed more favorably than the United States and the world has more confidence in Vladimir Putin to do the right thing regarding world affairs than in Donald Trump.

By demonstrating hostility toward America's allies, bullying other countries, and withdrawing from international bodies, President Trump's foreign policy is marked by predatory unilateralism. Scapegoating of immigrants and xenophobic rhetoric from the White House have contributed to an atmosphere of fear and anxiety globally.

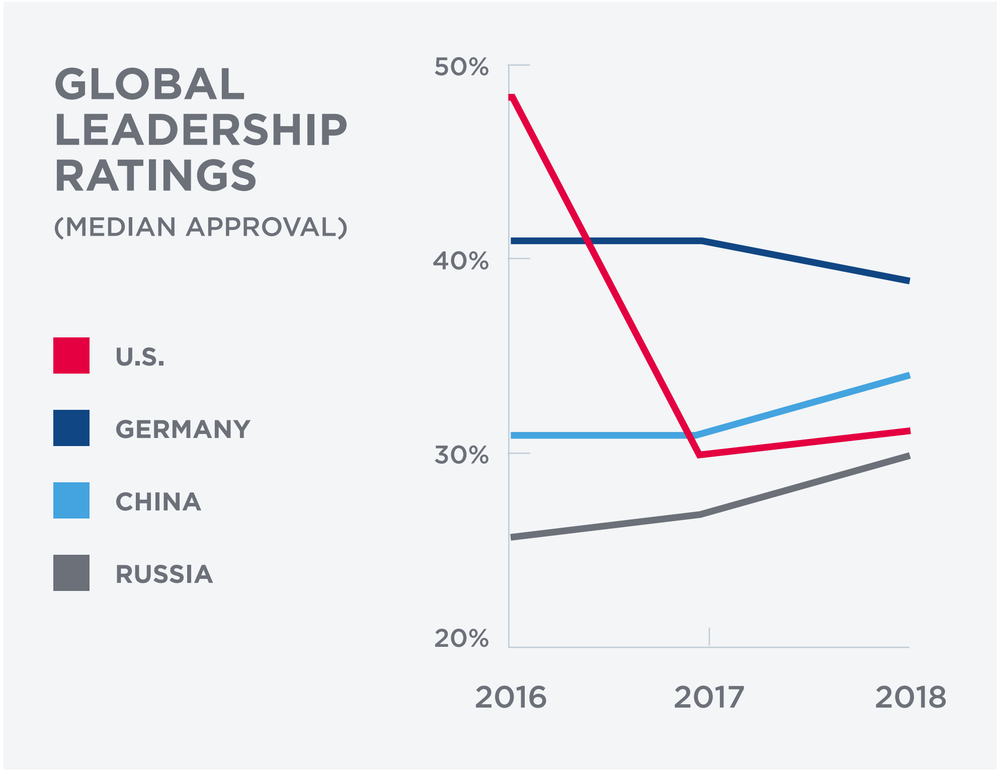
This failed leadership has a real impact on American business. Foreign direct investment is plummeting; we are losing global market share in tourism; and fewer foreign students are enrolling in American colleges.

2020 presidential candidates must be prepared to chart a new course to restore and renew America's global leadership. This will require a "build back better" mindset and a redefining of American exceptionalism.

GLOBAL VIEW OF THE US AS A WORLD LEADER HAS FALLEN DRAMATICALLY UNDER PRESIDENT TRUMP

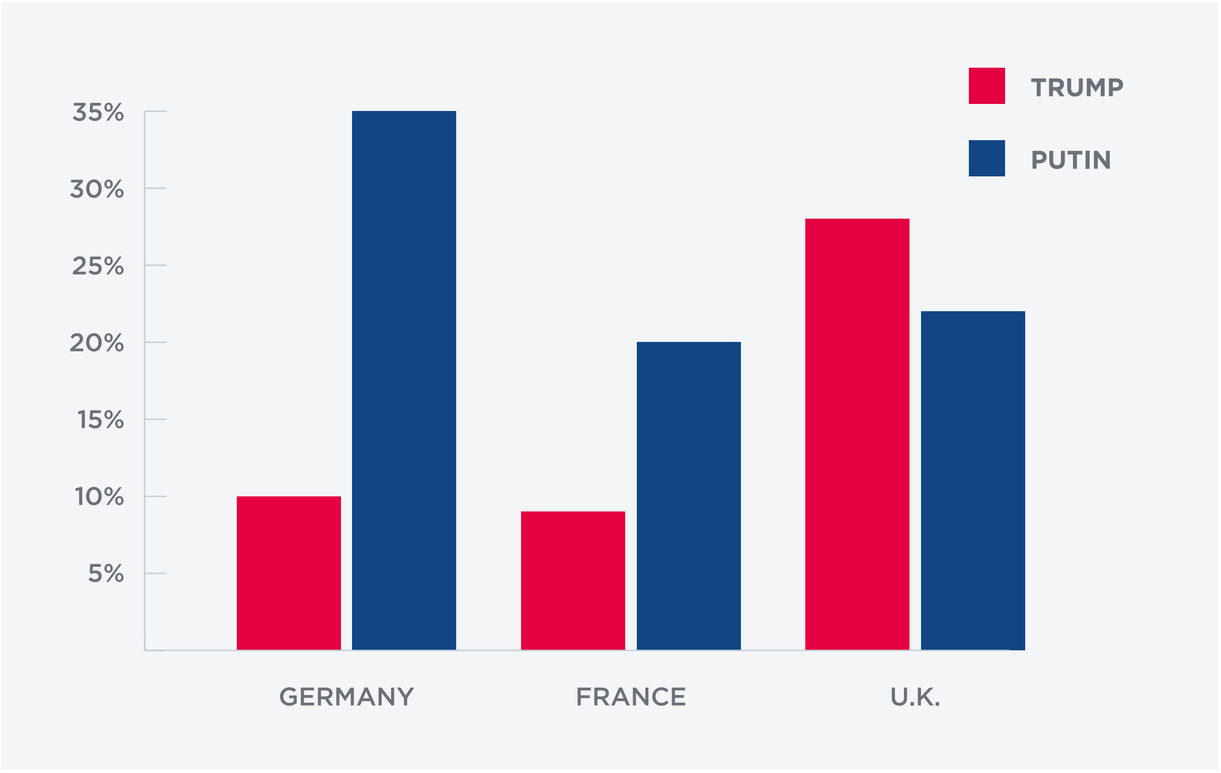
CHINA AND RUSSIA GAIN WHILE THE US FALLS

A Gallup survey found that approval of the U.S. as a world leader has dropped below the approval of China. Russia's approval in the world's view has risen to an equal level with the U.S.



TRADITIONAL WESTERN EUROPEAN ALLIES TRUST PUTIN MORE THAN TRUMP

A Pew survey found that citizens in France and Germany have more confidence in Vladimir Putin to do what's right in global affairs than Donald Trump. U.K. citizens still have more faith in Trump by a slim margin, but it is alarming that the numbers are even close.



SOURCES: IMAGE OF U.S. LEADERSHIP NOW POORER THAN CHINA'S. GALLUP INC: HTTPS://NEWS.GALLUP.COM/POLL/247037/IMAGE-LEADERSHIP-POORER-CHINA.ASPX; RICHARD WIKE AND MOIRA FAGAN. KEY GLOBAL VIEWS ABOUT ISSUES AND LEADERS IN THE SPOTLIGHT AT THE G20 SUMMIT. PEW RESEARCH: HTTPS://WWW.PEWRESEARCH.ORG/FACT-TANK/2018/11/28/KEY-GLOBAL-VIEWS-ABOUT-ISSUES-AND-LEADERS-IN-THE-SPOTLIGHT-AT-THE-G20-SUMMIT/

TRUMP'S VISION OF "AMERICA FIRST" IN FOREIGN POLICY

3 HALLMARKS OF PRESIDENT TRUMP'S FOREIGN POLICY

Hostility toward America's allies and contemptuous of cooperation.

Bullying other countries and making xenophobic statements about immigrants and people seeking asylum.

Withdrawal from international bodies and shredding America's commitment to the Paris climate agreement, Iran nuclear deal, and the Trans-Pacific Partnership.

The result is predatory unilateralism – treating our friends poorly and giving our competitors an advantage.

SOURCE: JAKE SULLIVAN. WHAT DONALD TRUMP AND DICK CHENEY GOT WRONG ABOUT AMERICA. THE ATLANTIC. JANUARY/FEBRUARY 2019.

THIS FAILED LEADERSHIP HAS A REAL IMPACT ON AMERICAN BUSINESS

FOREIGN INVESTMENT

Foreign Direct Investment supports over 7 million jobs. But investment inflows have declined precipitously.

TOURISM

Tourism from other countries is one of America's largest exports. But we are losing market share for international tourists among destinations worldwide.

HIGHER EDUCATION

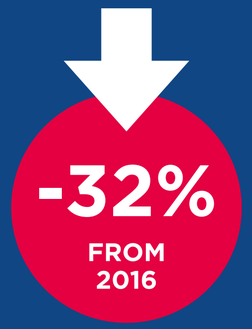
The 1 million foreign students attending American universities contribute more than $42 billion to our economy each year. But foreign enrollment is down.

FOREIGN DIRECT INVESTMENT: INFLOWS IN DECLINE

KEY FACTS:

NEW FDI

2016 to 2017: According to data from the U.S. Bureau of Economic Analysis, FDI in the United States dropped from $397.6 billion in 2016 to $259.6 billion in 2017, a 32% decrease in the first year of President Trump's Administration.



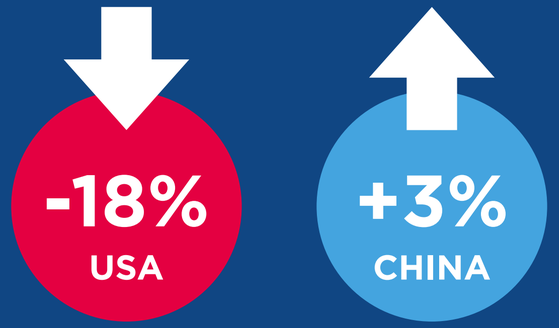
AUGUST 1, 2018

Foreign investment in U.S. dropping dramatically under Trump

CBS NEWS

FDI FLOW

2017-2018: Preliminary data from the UN Conference on Trade and Development that FDI in the United States dropped a further 18% in 2018. Over the same period, FDI grew by 3% in China.



SOURCE: NEW FOREIGN DIRECT INVESTMENT IN THE UNITED STATES. BUREAU OF ECONOMIC ANALYSIS. 2017. JULY 11, 2018; GLOBAL FOREIGN INVESTMENT FLOWS DIP TO LOWEST LEVELS IN A DECADE. UNCTAD. JANUARY 21, 2019.

FOREIGN DIRECT INVESTMENT: IMPORTANT TO THE U.S. ECONOMY

JOBS

In 2016, 7.1 million U.S. workers were directly employed by U.S. affiliates of majority foreign-owned firms

R&D

In 2016, U.S. affiliates of majority foreign-owned firms spent $60.1 billion on research and development (R&D).

EXPORTS

In 2016, the total contribution to U.S. goods exports by majority foreign-owned firms operating in the U.S. was $370 billion.

SOURCE: FOREIGN DIRECT INVESTMENT: UNITED STATES. SELECTUSA.

FOREIGN DIRECT INVESTMENT: WHAT LEADING EXPERTS ARE SAYING

"Donald Trump is ruining the United States' attractiveness as a place to do business...This year, net inward investment into the United States by multinational corporations—both foreign and American—has fallen almost to zero, an early indicator of the damage being done by the Trump administration's trade conflicts and its arbitrary bullying of companies and governments."

- **ADAM S. POSEN**
PRESIDENT, PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS

"Immigrants come to get to know a place, and then they say we should invest here, so money starts pouring in....A lot of FDI is geographically centered in places where there are a lot of immigrants. It's self-reinforcing, too. If you have more FDI, then you have more immigration."

- **MARK ZANDI**
CHIEF ECONOMIST AT MOODY'S ANALYTICS

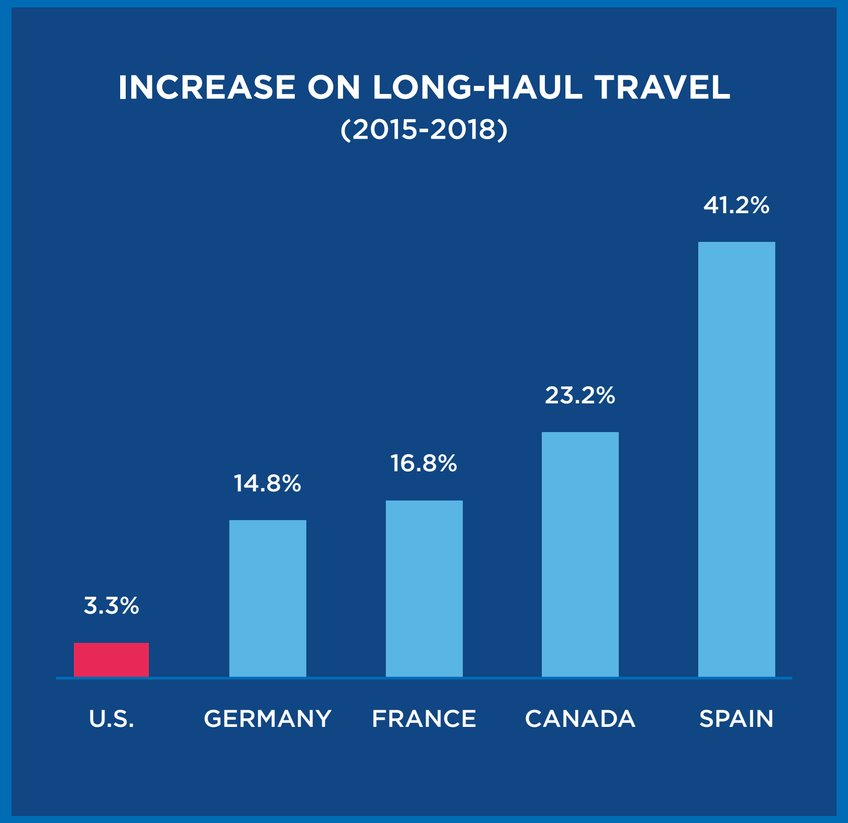
"Foreign investors are looking for both economic opportunities and political stability, and certainty the latter has suffered quite tremendously under this administration. Uncertainty is turning off foreign investors."

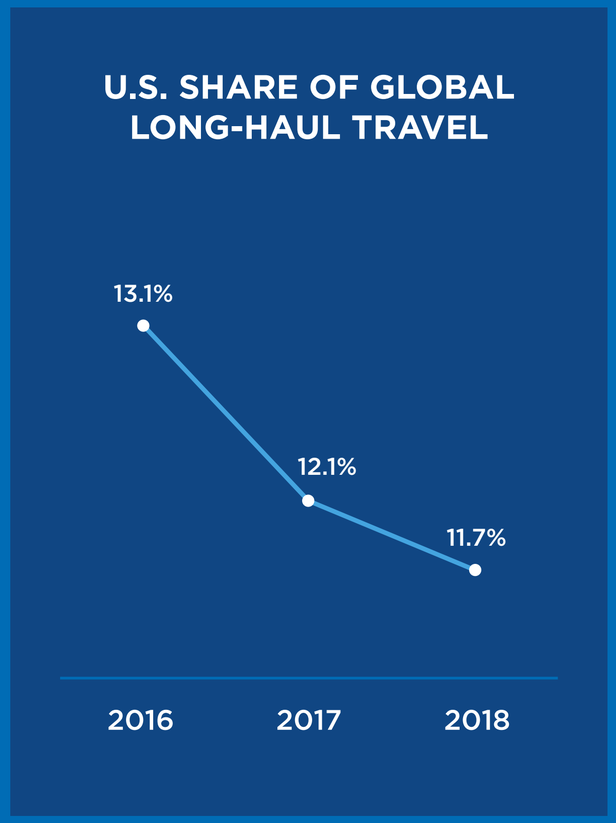
- **THILO HANEMANN**
DIRECTOR, RHODIUM GROUP

SOURCE: THE DIRE RIPPLE EFFECT FROM A US-CHINA TRADE WAR: A DROP IN FOREIGN INVESTMENT WORLDWIDE. CNBC. JULY 6, 2018.

TOURISM: U.S. FAILS TO KEEP UP WITH GROWTH IN INTERNATIONAL TRAVEL

Tourism from other countries is a $256 billion export. But growth in this area is slowing down, in part because foreigners feel less safe and welcome here. Travel industry leaders call it an "undeniable wake-up call."





"The U.S. lost a sizeable share [of global long-haul travel] over the last several years...and to reclaim that 2015 share by 2024, it will need to increase overseas visitation by 7.5% a year for the next five years."

BRYAN WROTEN
NOVEMBER 8, 2018

Hotel News Now

"Simply put, [the U.S. is] losing market share among destinations worldwide. While international travel overall was up about 6 percent for the year, travel into the U.S. from outside the continent rose a measly two percent."

ANDREW BENDER
JANUARY 31, 2019

Forbes

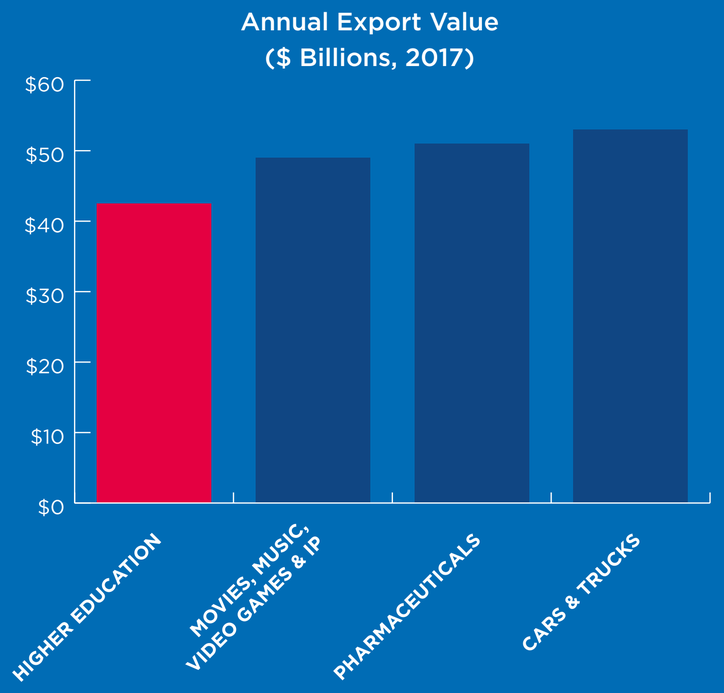
SOURCE: ANDREW BENDER. WORRYING TREND AS U.S. LOSES INTERNATIONAL TOURISM MARKET SHARE. FORBES. JAN. 31, 2019

HIGHER EDUCATION: AMERICA'S $42 BILLION EXPORT

The 1 million foreign students attending our universities represent only 5 percent of our student population, but they contribute $42 billion to our economy each year. Their spending supports 455,000 American jobs. **Higher education is America's sixth biggest service export.**

But enrollment is down at many of those schools, because foreigners feel less safe and welcome here. President Trump's rhetoric about immigrants, Muslims, and Mexicans, as well as his dramatic cuts to work visa programs, contributed to a seven percent drop in foreign student enrollment last year.

This drop is causing schools to raise tuition and cut programs. It's also hurting their bond rating, which increases their borrowing costs. Last December, **Moody's downgraded higher education from "stable" to "negative,"** based, in part, on declining foreign student enrollment.



"I'm mind-boggled... Higher education is a place where we have a major trade surplus with the world. Doing something to hurt that is obviously going to make our trade balance worse."

- **DICK STARTZ**
PROFESSOR OF ECONOMICS, UNIVERSITY OF CALIFORNIA, SANTA BARBARA

MOODY'S

FEBRUARY 5, 2018

Declining international student enrollment dampens US universities' tuition revenue growth

SOURCE: U.S. COMMERCE DEPARTMENT; ECONOMIC IMPACT OF INTERNATIONAL STUDENTS. INSTITUTE OF INTERNATIONAL EDUCATION: HTTPS://WWW.IIE.ORG/RESEARCH-AND-INSIGHTS/OPEN-DOORS/DATA/ECONOMIC-IMPACT-OF-INTERNATIONAL-STUDENTS.

BUILD BACK BETTER TO RENEW AMERICA'S LEADERSHIP IN THE WORLD

Throughout American history, the path forward has been determined not in times of disruption but in their aftermath. The New Deal followed the Great Depression, just as the Marshall Plan followed the Second World War.

When Donald Trump exits the White House, the United States will once again have a chance to chart a new course. When a natural disaster hits, you "build back better." This should be the same for our foreign policy.

SOURCE: JAKE SULLIVAN. WHAT DONALD TRUMP AND DICK CHENEY GOT WRONG ABOUT AMERICA. THE ATLANTIC. JANUARY/FEBRUARY 2019.

DEFINING A NEW AMERICAN EXCEPTIONALISM

SELF-CORRECTION

Repair the damage to alliances, treaties, the perception of American motives, trust in America's word, and the very idea of America.

ENLIGHTENED SELF-INTEREST

Recognize that the best and most durable solutions are ones in which America's gain also contributes to gains by others.

PROBLEM SOLVING

Focus our national security strategy more explicitly on the needs and aspirations of the American middle class.

COMFORT WITH POWER

Recognize that the country's durable power comes from creative, credible, and tenacious diplomacy backed by the threat of force, not force backed by the eventual hope of diplomacy.

THE COMMON GOOD

Secure a place for values in the conduct of foreign policy more consistently.

SOURCE: JAKE SULLIVAN. WHAT DONALD TRUMP AND DICK CHENEY GOT WRONG ABOUT AMERICA. THE ATLANTIC. JANUARY/FEBRUARY 2019.

ABOUT NATIONAL SECURITY ACTION

National Security Action is a non-profit advocacy organization committed to advancing a progressive vision of American global leadership and opposing the Trump administration's reckless foreign policy. Dozens of preeminent national security leaders and experts came together to launch the organization, which is Co-Chaired by former Deputy National Security Advisor Ben Rhodes and Jake Sullivan, who held senior foreign policy positions during the Obama administration and served as the Clinton campaign's Senior Policy Advisor in 2016.

To learn more about National Security Action, visit:
www.nationalsecurityaction.org

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