

104
EXPORTS, GROWTH AND JOBS—REAUTHORIZING
FEDERAL EXPORT ASSISTANCE PROGRAMS,
PART I

Y 4. IN 8/16: EX 7/11/PT. 1

Exports, Growth and Jobs-Reauthoriz...

HEARING
BEFORE THE
SUBCOMMITTEE ON
INTERNATIONAL ECONOMIC POLICY AND TRADE
COMMITTEE ON
INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

FEBRUARY 22, 1996

Printed for the use of the Committee on International Relations



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EXPORTS, GROWTH AND JOBS—REAUTHORIZING FEDERAL EXPORT ASSISTANCE PROGRAMS, PART I

THURSDAY, FEBRUARY 22, 1996,

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY
AND TRADE,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:10 a.m. in room 2247, Rayburn House Office Building, Hon. Toby Roth (chairman of the Subcommittee) presiding.

Mr. ROTH. We have a habit of starting this committee right on time. We want to make sure we continue in that tradition.

Let me welcome our panelists here today. We have a large turnout, larger than we had expected.

Today the Subcommittee continues its focus on expanding exports, generating economic growth, and creating jobs for American workers. This is the first of two hearings on reauthorizing and strengthening our export assistance programs—the Overseas Private Investment Corporation, the U.S. Trade and Development Agencies, the export functions of the International Trade Administration.

In today's economy, exports are essential to economic growth and job creation. Last year U.S. exports reached nearly \$800 billion, 11 percent of our total \$7 trillion gross domestic product.

Twelve million American jobs now depend on exports. Over the past decade, exports have been the single biggest factor in our growing economy. Study after study, all say the same thing: Keep our exports on an upward track, as they are absolutely essential for our future growth.

The importance of job creation is underscored by a single fact: We have 40 million Americans under the age of 10 years. Creating jobs for this incoming wave of new workers will be one of the biggest challenges facing our country. Export-related jobs must continue to grow or we will be faced with a huge problem.

This is true for every major economy around the world. In Tokyo, London, Bonn, Paris, and Seoul, our competitors are doing everything they can to help their companies export. Moreover, companies are moving into countries like China, India, and Russia, and have recently launched new export assistance programs of their own. For all these countries, there is one goal: Beat the Americans.

We simply cannot afford to stand still. This is no longer a trade competition; this is a war of markets and economic strength. The reality is that agencies like OPIC, TDA and ITA are just as important to our national economic security as the military is to our national defense.

We welcome the leaders of these agencies and look forward to their recommendations on how we can strengthen their role in helping our exporters to compete and win in the global marketplace.

Our first witness today is Ruth Harkin, the president and chief executive officer of the Overseas Private Investment Corporation.

Before you begin, let me congratulate you and your colleagues at OPIC for providing a very vital service. You are entirely self-supporting and you even make money that helps reduce the deficit. In short, OPIC is a model for others to follow.

Let me begin with you, Ms. Harkin. Let us hear your testimony, and then we will hear from the other two panelists.

STATEMENT OF RUTH R. HARKIN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, OVERSEAS PRIVATE INVESTMENT CORPORATION

Ms. HARKIN. Thank you very much, Mr. Chairman. We really appreciate the opportunity to appear before you. I would request that my entire statement be included in the record.

Mr. ROTH. Without objection.

Ms. HARKIN. I am pleased to appear today with my colleagues from the Trade Development Agency and the Department of Commerce. We appreciate the opportunity to discuss the importance of supporting private investment in developing countries as part of promoting U.S. exports and trade.

This has been an important year for OPIC, and will continue to be because our current authorization expires September 30, 1996. We thank you for calling this hearing early in the year so Congress can complete its work on an OPIC authorization bill before the September expiration.

We are well aware of the difficult fiscal challenges facing our Nation and the tough choices that need to be made. We believe that OPIC is in an enviable position as government programs are scrutinized continually for efficiency, for productivity, and of course, for financial prudence.

As you mentioned, Mr. Chairman, we are a self-sustaining agency, because our program users, i.e., the American investment community, pay for the costs of the program. The program also produces dividends for America's trade and foreign policy. In 1995 we earned \$189 million, which was returned to the U.S. Treasury. We operated at a profit not only this past year, but every year since the agency was established in 1971. As you know, Mr. Chairman, we currently have reserves of \$2.5 billion.

1996 marks OPIC's 25th year of operation. Since 1971, over \$40 billion in U.S. exports have been created, and that is creating nearly 200,000 American jobs. In fiscal year 1995, we supported 105 projects, which are expected to generate in the first 5 years of their operation, \$3.9 billion in exports and 12,000 American jobs.

Our OPIC constituency is the U.S. business community that seeks our services in the 140 countries where we do business. These countries are, by definition, politically unstable or emerging democratic economies where we have a foreign policy interest.

The demand for our services increased tenfold last year because of the many opportunities available. For instance, in 1995, we had record insurance commitments of \$8.6 billion; that is up from \$2.8 billion in 1993. You can see the vast opportunities that we have here.

Our finance commitments also grew. In 1993, they were \$415 million, and last year, in 1995, they grew to nearly \$2 billion.

One of the reasons for our growth is the fact that more American companies are looking to invest overseas and more are looking to agencies such as ours for support. At the same time, many developing countries are privatizing and they are looking to private investment to make improvements in their economic infrastructure.

American companies are competitive in these industries, but the enormous size of the projects and political risks make these projects extremely difficult to finance, particularly for the commercial sector. OPIC financing and political risk insurance coverage were key in putting together necessary project financing in these industries in the last year. And OPIC support enabled U.S. companies to win these lucrative contracts, for instance, over their European and Japanese competitors in many cases.

Our project size is also up. We now support up to \$200 million in financing per project. This is in the form of medium- to long-term financing through our loan guarantee program and our direct loans, which are for small businesses. In that sense, we operate like an investment bank, customizing and structuring a complete financial package for each project.

We pay very, very close attention to the bottom line. I think over the years we have been a fairly conservative investor, but one which is investing in very risky areas, because we do support only creditworthy projects and we conduct a thorough credit assessment for each project and require independent credit analysis. As I mentioned, our clients are charged for our services, and they pay fees for direct loans and services, which are at current market rates.

OPIC also supports a family of investment funds that operate in many high-priority foreign policy regions, such as the Mideast and throughout parts of Africa. These funds are privately owned and involve a unique blend of public and private sector capital.

Our political risk insurance program covers investors against expropriation, inconvertibility and political violence. We have had an excellent financial record in our insurance program. Through a very aggressive recovery and salvage program, we have a recovery record of over 95 percent. Sometimes it takes a while, but we do eventually get it. We have paid net claims of only \$11.7 million.

We do have some special programs related to business outreach. As part of these, we host domestic conferences and we have business roundtables with visiting heads of State and senior American executives. Just within the last hour, we completed a business roundtable with the President of Ukraine, who, as you know, is in town. We had 20 CEOs and other senior corporate officials at the roundtable in an effort to bring them together with the President.

The President had specifically requested certain sectors of investment, and these American investors actually represented those sectors. We had heavy representation in the agriculture sector, of course, because that is a very important sector in the Ukraine, but also in energy, and in the telecommunications field. These are all fields that we find of interest to leaders of many countries where we do business.

We are experiencing an unprecedented demand for services, especially by U.S. companies competing for infrastructure projects in developing countries. Many developing countries—especially India, Turkey, Indonesia, and Morocco, to name a few—are opening up their infrastructure projects as never before to private foreign investment. We are eager to support American companies because, as you pointed out, Mr. Chairman, they do provide jobs here in the United States, which is a prime concern of our agency.

In many cases, without this support and the full faith and credit of the U.S. Government behind these projects and in these projects, they simply would not happen. We are proud to be part of that effort.

We also would like to point out that our American companies are particularly good neighbors in the host countries where they do business. There are countless examples of facilities that they have set up, whether it be hospitals and schools or training programs for their workers. I think that is just part and parcel of the American investor doing business overseas. So we are happy to be a part of supporting them.

Just a word about small business projects, because they are an important part of our portfolio at the same time that many of these huge infrastructure projects are being supported. For instance, in 1995, we approved the first projects to promote investment in Gaza on the West Bank. Not surprisingly, we found out, when we first go into a region or country, some of the first projects we back are the smallest ones, because they are the ones that can secure the necessary approach for us. So we are backing an Ohio family-owned business with a \$2-million direct loan, and \$3 million in political risk insurance. That little project manufactures prefab construction materials in Gaza to be used for housing needs there.

We also are supporting an investment in Ghana involving a beverage manufacturing bottling and distribution center, and that is with a Connecticut company. We are providing a smaller amount of political risk insurance to them. That project will support U.S. procurement of almost \$21 million when it is all completed.

Finally, since we had the opportunity to appear before you last, we have made an effort to increase our efficiency and our effectiveness. As you know from past history, we are fortunate in having a very excellent and committed staff that wants to get the job done. Our self-sustaining structure, of course, increases our program accountability.

We have reorganized to be more responsive to our clients, and I think the last time I was here, we talked about the fact that we had streamlined our procedures. In early 1994 we reduced our directives by over 75 percent. I want you to know we have not missed them a bit.

In conclusion, let me just say that we believe very strongly that American private investment overseas pays big dividends here at home in terms of exports and jobs. We think we have a proven track record of accomplishing a great deal on behalf of our American company clients at no expense to the taxpayers. We would like to continue to do that. We would like to continue to build on our success.

We want to thank you, Mr. Chairman, for the opportunity to be here again today. We look forward to working with you and your staff, and of course, are available for any questions you might have.

[The prepared statement of Ms. Harkin appears in the appendix.]

Mr. ROTH. Thank you very much.

Yes, I want to ask a few questions, because I have gone to the floor on OPIC before and Members have come to me with questions about OPIC. The climate today provides information that may not always be correct or true. Therefore, I think I have to ask some frank questions, so that I know how to better position my answers on the floor and to my colleagues.

Mr. ROTH. Next we will hear from Tim Hauser, Acting Under Secretary for International Trade, at the Commerce Department. Tim is a familiar figure to this subcommittee.

Once again, you are called on to be the utility infielder of American trade policy. So, Tim, we are delighted to hear from you today, and we will try to ask you a few questions also.

STATEMENT OF TIMOTHY J. HAUSER, ACTING UNDER SECRETARY FOR INTERNATIONAL TRADE, U.S. DEPARTMENT OF COMMERCE

Mr. HAUSER. Thank you very much, Mr. Chairman. It is a pleasure to be here today to talk about the vital role that the Commerce Department's International Trade Administration plays in promoting the export of U.S. goods and services to markets all around the world. I particularly want to thank you, Mr. Chairman, for all of your support, that of your subcommittee and of your staff, for the work that we have been doing.

I have a fairly lengthy statement, sir, that I would like to submit for the record. With your permission, I will summarize it here.

Mr. ROTH. Without objection.

Mr. HAUSER. Thank you, Mr. Chairman.

I would also like to express my appreciation for being here with my colleagues, Ruth and Joe. We have worked together now for about 3 years on the Trade Promotion Coordinating Committee. I think we are all partners in export promotion and would refer you to my lengthier statement, sir, for some clear-cut examples of how we have worked together to deliver goods and services for American businesses overseas.

Mr. Chairman, you captured most of the key numbers in your introduction: Export growth has accounted for about a third of all economic expansion in the United States in the 1990's; exports are growing well over 7.5 percent annually, poised to top \$1.2 billion by the year 2000. This past year exports supported in excess of 12 million jobs, up from about 6.7 million in 1986. These are jobs that research has documented pay about 13 percent more than in the economy generally.

The business communities and the Federal Government, we believe, have a vested interest in working together to promote U.S. exports, and in so doing, to continue to create high-paying, skilled jobs at home and to make American firms competitive in the world market. We have made great strides over the past 3 years under President Clinton and Secretary Brown's leadership, and through our national export strategy, to become the private sector's partner in exporting. Nonetheless, there is a lot that remains to be done.

What I would like to do, sir, today, is highlight three things: one, why these efforts are necessary; two, what we have done in ITA over the past couple of years under the previous authorization; three, very quickly point to some directions where we are heading and hopefully, in the process, to solicit your continued support for our efforts.

Why should we be involved in this business? Very quickly, the need for government involvement arises out of the realities of the marketplace itself, Mr. Chairman. Imperfections in the way the market provides information and access often tends to skew opportunities toward larger firms, often leaving small- and medium-sized businesses at a comparative disadvantage, particularly in rapidly changing new markets.

Moreover, the significant role that foreign governments have come to play in awarding contracts for major projects clearly obviates arguments that free markets are constantly at work. In order to compete effectively, we believe that companies of all sizes need market information, access, advocacy, and trade finance assistance, and we believe the Federal Government can provide all of these in a cost-effective manner.

Our competitors have recognized these market realities, and they have embraced the role of government in exporting. The United States continues to lag well behind our major competitors in terms of money and staff dedicated to export promotion, not to mention trade finance assistance. Our 1994 export promotion budget, per \$1,000 of GDP, ranked dead last among the major trading nations. The United Kingdom spent over eight times as much in relative terms; France, six times as much; Germany, almost twice as much.

In terms of staffing, the United States, with a little over 2,000 ITA staff dedicated to export promotion, ranks last.

The overwhelming majority of our work, Mr. Chairman, goes to the benefit of small- and medium-sized companies who are trying to make their first forays into new markets. Though the dollar figures of individual sales are sometimes small, the impact in terms of jobs can be tremendous. In the testimony that I have submitted for the record, I have included a variety of such stories from such diverse companies as Eemax, Inc. of Monroe, Connecticut; EduSystems of Walworth, Wisconsin; and Osborne Coinage Company of Ohio, to give you a better sense of the work we do for American business in job creation.

What have we done over the past 2 years? Quickly, sir, let me refresh your memory on the organization of the International Trade Administration. We have four parts: the U.S. and Foreign Commercial Service, Trade Development, International Economic Policy, and Import Administration. These four units work together to provide comprehensive market information and export promotion

service to the business community while also working to guarantee a level playing field for our businesses at home.

The Commercial Service, which consists of 83 offices across the United States, and currently 134 offices in 70 countries around the world, delivers ITA's programs and services directly to the business community.

Trade Development provides market research and expertise focused on specific industry sectors and houses the trade information center and our advocacy center, which we find are gateways to a wide array of government export assistance programs.

The International Economic Policy unit directs ITA's trade policy efforts and provides business counseling to American firms through a system of country desks and regional offices.

Finally, Import Administration, which is not part of this reauthorization, Mr. Chairman, provides the essential service of monitoring and enforcing the Nation's trade laws and in so doing, keeps a level playing field for American businesses.

With our budget holding steady at approximately \$235 million for export promotion in fiscal 1995 and, currently, for fiscal 1996, we have come to rely more heavily on the synergies that exist among our programs. The result of this renewed commitment to teamwork, both in-house and with other agencies, has been a more complete and cost-effective International Trade Administration.

We have pursued joint ventures with other government agencies and with the private sector to enable us to provide more complete service at a lower cost. We have also recognized that there are some functions better suited to the private sector and have undertaken an ambitious privatization program. For fiscal years 1995 and 1996, we have privatized some 21 major trade fairs and shows, including the upcoming flagship Paris Air Show, and we have advertised 14 more shows for privatization in the coming years.

Let me now talk briefly about some specific things in each of these program areas.

With respect to the Commercial Service, they are currently located in markets that account for about 95 percent of American exports. In 1995, the assistance they provided contributed to what we estimated was about \$5.4 billion in export sales, supporting nearly 92,000 American jobs.

Our staff worldwide in the Commercial Service conduct market research, identify agents and distributors, advocate on behalf of our companies, assist in dispute resolution, and support a variety of trade events and missions. Moreover, they provide in-department counseling to firms looking to launch their export efforts or expand their presence overseas.

In the past 2 years we have launched a number of initiatives in the Commercial Service to make better use of our resources and improve service.

First and foremost, the Commercial Service redesigned its domestic network by creating U.S. export assistance centers that deliver a comprehensive array of export counseling and trade finance services to export-ready firms in one convenient location. This was a partnership with Commerce, the Small Business Administration, and Eximbank. We have now a network of 14 of these one-stop shops.

We have also moved to integrate the personnel system to increase efficiency in the Commercial Service. Previously we had one system for our domestic officers, one system for the foreign field. Rarely did these paths ever cross. We have now taken concrete steps to integrate the commercial staff from the domestic field, start bringing people in from the field, putting them in our domestic offices, sending our domestic officers out overseas, to create a single global work force with both foreign market experience and hands-on dealing with business.

Finally, we have been expanding our service in the big emerging markets that represent great commercial opportunities. We have set up freestanding commercial centers in Sao Paulo and Djakarta to offer American companies onsite business facilitation service, telephone, faxes, interpretation service, and meeting rooms. We have taken them out of the embassies and put them in hotels in downtown areas where American businessmen can come and take advantage of the services. We have also opened new offices in Haiti and in Vietnam to facilitate and strengthen commercial relations with these countries.

Our Trade Development Unit is the only bureau in the Administration that focuses exclusively on the capabilities and challenges facing U.S. industry. Most important, in the past 2 years Trade Development is the home of our advocacy center, our nerve center governmentwide for developing and coordinating interagency strategies to assist American companies in winning major international contracts.

Working with ITA colleagues and across the executive branch, the center has provided advocacy services that resulted in some 77 successful cases we tracked in calendar year 1995. These cases represented \$23.5 billion in U.S. exports and over time should result in creating or retaining some 350,000 U.S. jobs.

Trade Development also works closely with the private sector to ensure they have a voice in Government export and trade policy efforts, whether through our network of advisory committees or through something like the Market Development Cooperator Program which provides small amounts of money on a matching basis to support innovative private sector, market development ideas.

Trade Development also plays a key role in issues like the U.S.-Japan auto agreement to ensure that industry interests are taken into account in our trade agreement negotiation and enforcement.

Finally, we have located in Trade Development the Governmentwide Trade Information Center, our toll-free 1-800 USA trade number, which handled nearly 65,000 inquiries in fiscal year 1995, primarily from small- and medium-sized businesses wanting to expand their export business.

The last promotion unit, International Economic Policy, is made up of country specialists who complement our commercial officers overseas, our colleagues across the Administration, working to expand access to overseas markets, increase U.S. exports through counseling and information programs, and enhancing the worldwide protection of intellectual property rights and U.S. investment.

The International Policy Unit also has responsibility working closely with our partners at USTR for monitoring and enforcing the

nonagricultural aspects of U.S. multilateral trade agreements. I will come back to this in a moment, sir.

Our country specialists also counsel and advise U.S. firms on economic and commercial developments in individual markets and regions. We have been trying over the past couple of years to automate much more of this service. We have a variety of fax-on-demand services that have enabled us to respond to over 250,000 business inquiries out of the International Economic Policy Unit last year.

Of course, ITA does not exist in a vacuum. To help the entire Federal Government ensure we are working together to promote exports, Congress, and particularly this committee, created through the Export Enhancement Act of 1992 the Trade Promotion Coordinating Committee, giving it the mandate and the tools to coordinate our export promotion efforts.

In response, we developed, at the President's direction, the National Export Strategy, a strategic plan to increase jobs and growth. We began by taking a hard look at what we did and, in the best spirit of reinvention, asked how we could do our work better.

In our first year, 1993, we developed 65 recommendations to leverage our resources collectively and remove obstacles for American exporters. In 1994 we reported on the progress we had made in implementing these recommendations and set some new directions like the Big Emerging Markets Initiative.

Last October, we deepened our strategy and targeted our efforts on two areas, enhanced advocacy and helping small- and medium-sized businesses. These efforts are all paying dividends in terms of increased exports and more American jobs.

Where are we going? As we look to the future—and, again, you noted this, Mr. Chairman—we see our competitors redoubling their efforts to secure market share. We need to do everything in our power to ensure that American businesses enjoy a level playing field in the global marketplace, particularly the small- and medium-sized companies that need our services the most.

Our competitors' efforts go beyond simply dedicating more resources to export promotion. You will recall, Mr. Chairman, that last October when we released the National Export Strategy, we also produced a classified report detailing the lengths that our trading partners will go to, to help their firms win important contracts. We cited some very alarming figures.

We tracked 200 projects over an 8-year period and found that American firms lost about 45 percent of them, due in part to foreign government intervention.

That study, sir, has not just sat on a shelf. As a priority for this year, we are in the process of developing an interagency response to these practices in key areas like bribery, trade promotion, trade finance, offsets, technical assistance, and standards.

Another top priority for the coming year is further enhancing our services to small- and medium-sized companies. We will be opening another export assistance center in Detroit in the coming months, and, resources permitting, we will be completing our national network over the next 2 years.

We are using more technology to make our market access information available, including flash fax, and are creating a consolidated home page on the Internet. We are also working with our TPCC partners to address some of the peculiar trade finance issues facing small firms.

On a regional basis, we are trying to provide Export Promotion Service with the greatest bang for the buck for American exporters. Hence, we are focusing on the 10 big emerging markets that will have the most dynamic growth. We have prepared individual strategies for each of these markets, which include focusing our trade missions, advocacy, personnel, commercial information, and education efforts there.

Following up on the commercial centers in Brazil and Indonesia, we will be opening a new one in Shanghai, China, this year, to offer business facilitation services to companies in that market.

We are also not neglecting established markets. We have a very active new program, Showcase Europe, for export promotion in that region and have been working with our business community and the European business community on a transatlantic business dialog for 1996 and beyond.

On advocacy, we will continue to expand the scope of our efforts. We would like to close a high percentage of the some 400 projects which are now pending in the Advocacy Center. We would also like to use some of these major project cases as a way to counter questionable foreign business practices and help in our efforts to develop a response.

Finally, the last priority, Mr. Chairman, as Under Secretary-Designate Eisenstadt indicated in his recent testimony before the Senate Finance Committee, we plan to complement our trade promotion efforts through more effective trade law and trade agreement enforcement. To that end, we intend to create a trade compliance center in the International Economic Policy Unit devoted to monitoring foreign compliance with our trade agreements.

The center, which will draw on existing resources, will serve as a central repository of monitoring expertise and will complement and work closely with USTR to ensure that our firms and workers receive the full advantage of our trade agreements.

Mr. Chairman, thanks to your ongoing support and the resources authorized by this committee, we believe we have built ITA into an example of effective government, one that pays significant returns to America and the economy. We look forward to your continuing support as we continue to work to open doors for Americans overseas.

Thank you for your time, sir. I, too, would be pleased to respond to your questions.

[The prepared statement of Mr. Hauser appears in the appendix.]

Mr. ROTH. Thank you very much, Mr. Hauser.

I do remember our work, as I had mentioned before, with you and the briefing we had, and yes, I want to ask a couple of questions and go into a little greater detail.

Mr. ROTH. We will now hear from our next witness, Joe Grandmaison, director of the Trade and Development Agency. TDA's record proves that a small amount of seed money can go a

long way and pay big dividends. We are delighted to have you with us today.

You are noted for obtaining contracts for U.S. engineering and construction companies. That is why this subcommittee has worked on a bipartisan basis to expand TDA's authorization. I would like to hear from you and ask you a couple of questions also.

**STATEMENT OF HON. J. JOSEPH GRANDMAISON, DIRECTOR,
U.S. TRADE AND DEVELOPMENT AGENCY**

Mr. GRANDMAISON. Thank you very much, Mr. Chairman.

With your permission, I would like to enter the full statement in the record.

Mr. ROTH. I had a chance to read your statement and the other statements too. So that has helped us a great deal.

Mr. GRANDMAISON. Mr. Chairman, I am delighted to be here to discuss the work of the U.S. Trade and Development Agency to increase jobs here at home through exports. I am especially pleased to be part of today's panel that includes my colleagues, Ruth Harkin of OPIC and Tim Hauser of ITA. As members of the Trade Promotion Coordinating Committee, we are a team that is working in sync to help U.S. firms meet and beat foreign competition in major export markets.

Today I would like to focus briefly on the details of the Trade Development Agency's role in promoting exports, the Nation's export policy, to show how our agency, with only 38 staffers and a modest budget, has the flexibility to work strategically with other agencies, our ambassadors abroad, the U.S. Foreign and Commercial Service, and the development banks, to ensure that American firms, both small and large, effectively compete for contracts on large capital projects throughout the world.

To put it succinctly, TDA gets results. Since 1981, we have helped spur more than \$7 billion in exports, or nearly \$30 in exports for every dollar invested in TDA activities. Last year alone, we identified an additional \$1.2 billion in exports from projects we were associated with. We are assured of these figures' accuracy because we track each and every investment we make from start to finish. We can also project that more than 20,000 jobs are linked to our agencies' activities last year alone.

Our fiscal year 1996 budget is \$40 million. In addition, we anticipate receiving \$10 million in transfers from the Freedom Support Act for projects in the NIS.

We also received \$150,000 recently from the State Department to conduct a reconstruction analysis in Bosnia of four key sectors for U.S. export advantage. In fiscal year 1995 we funded a record 430 activities in 72 middle-income and developing nations, laying the foundation for American companies to get in on the ground floor of billions of dollars in industrial and infrastructure improvements.

Getting American companies in on that ground floor is specifically what we do. We are the only U.S. Government agency to fund feasibility studies; more specifically, project planning assistance. When a U.S. company develops the specifications and standards for a project, we can win. Without government cooperation, it is often impossible for U.S. companies to compete successfully for these multi-million and billion dollar projects.

Remember, as you pointed out, Mr. Chairman, governments of every other industrial nation are beating the drums for their companies, many of which are government-owned. They often throw in everything, including the kitchen sink, to snare contracts.

The American business community does not expect us to engage in this kind of lavish direct product marketing that some governments consider routine. However, it does expect our government to at least try to level the playing field so that the U.S. private sector can compete successfully against the French, the Germans, and the Japanese.

This is what the U.S. Trade and Development Agency is all about. We work with companies as large as Caterpillar and IBM, as well as with small businesses of under 50 employees. We team up with companies that never exported before and others whose sole business is exporting.

In some cases, firms come to us to support their efforts after being thwarted by a roadblock or by foreign competition, but in most instances we help discover opportunities and move swiftly to steer them to American companies. These opportunities would otherwise have been lost either because our foreign competitors have beaten us to the punch or because the private sector would not have learned of or developed these potential opportunities without our help.

Be aware that competition for the estimated \$200 billion in infrastructure projects abroad slated for the next few years has never been more fierce. It is no secret that the French, Germans, and Japanese have long recognized the importance of early money. That is why they are plowing far greater amounts of their trade promotion budgets than we are into the type of work that TDA performs. As a result, TDA must work harder and smarter than our foreign competitors.

We evaluate funding requests much like a venture capitalist, investing our funds in projects that will yield maximum payback in terms of jobs for Americans. Let me give you two examples. They happen to be both in Russia, an exceptionally difficult market.

A small New Jersey-based business, Hoffman International, recently opened the first high construction equipment leasing business in Russia. Its initial shipment of equipment was valued at \$4 million. TDA provided funding for the feasibility study that laid the groundwork for this project. We also hosted an orientation visit to the United States by six prominent Russian road builders that allowed for the Russians to see American equipment at work, helping to seal the deal.

Another TDA project is the recent agreement with Russia on the IL-96M aircraft that will create \$1 billion in U.S. exports. TDA was there at the opening bell with more than a dozen American companies when it was learned that the Russians wanted to go forward with plans to build commercial jet liners. The companies teamed up with our agency to ensure U.S. Government support for their efforts.

We provided a \$1-million grant, matched by \$1.4 million from Pratt & Whitney and Rockwell-Collins for a feasibility study for the project. The study provided the framework for Ex-Im's financing.

While we work with large companies that often need their proposals wrapped in the flag, small firms continue to be the backbone of our program. All of TDA's definitional missions and desk studies, essentially scouting reports overseas, are completed by small companies.

We hold small business briefings, both in the United States and abroad, that allow small- and medium-sized business owners to meet one-on-one with sponsors of overseas projects. At TDA's recent Infrastructures Opportunities in South America Conference, more than 700 face-to-face meetings were held between U.S. companies and project sponsors.

We also conduct orientation visits, "reverse trade missions," where we bring foreign procurement officials to the factories, facilities, and board rooms of American companies. Here they see U.S. equipment and technology firsthand, which results in new relationships and new sales.

Hardly a week goes by without a TDA-sponsored orientation visit. During the next few weeks, for example, we have banking officials from Hungary visiting three States to inspect the latest U.S. technology in financial information systems and Peruvian public and private sector officials who will examine information technology products and applications for their country.

To build on our partnership with the U.S. private sector, our agency has taken a creative approach to leverage our budget. We have become more vigilant than ever with our policy of requiring the cost sharing of feasibility studies. Approximately 65 percent of our agency's studies were cost-shared in fiscal year 1995, a substantial increase from years past.

In addition, TDA last year instituted a "success fee" program to recoup the costs of our investment. This reimbursement program is another way of recovering our investments from projects that result in success.

Innovative, flexible, responsive; those are the trademarks of our agency as we build on our record while working with the private sector to create jobs through exports.

Mr. Chairman, because of the Committee's past work in crafting the language authorizing TDA's program, we have the tools now, tools that we need, to do our job effectively. Therefore, we are not asking for any modification in TDA's authorization legislation. We would, however, ask that the Committee maintain authorization levels for our agency at the current level.

For fiscal year 1995, the Committee authorized a funding level of \$77 million, with such sums as necessary for fiscal year 1996. We would hope that authorization levels for 1997 and 1998 continue to reflect this committee's support. We thank you for your confidence in our agency.

[The prepared statement of Mr. Grandmaison appears in the appendix.]

Mr. ROTH. I thank you, Mr. Grandmaison, for your excellent testimony.

All of our panelists here this afternoon had excellent testimony. We appreciate it, and we appreciate you appearing before the Committee.

Ms. Harkin, as president of OPIC, of course you are well aware that we are going to have to reauthorize this program as of October 1. Now, I have talked to some of my friends in the Congress, and maybe you and I have a little problem of education here to do before October 1. I hear some of my very good friends saying OPIC is helping send jobs overseas. If anything is going to kill a bill, that is going to be it.

So give me a few arguments that I can use when I talk to the Congressmen that OPIC is not sending jobs overseas but OPIC is really helping protect, defend jobs here, whether it is Green Bay, Wisconsin, or Chicago.

Ms. HARKIN. Well, you know, the myth that foreign investment takes away domestic jobs has been going around for some time.

Let me first say that, by statute, OPIC can not support any project that is expected to have a negative effect on U.S. jobs or the U.S. economy. We carefully screen each and every project to ensure that the projects supported by OPIC benefit the U.S. economy and help create American jobs.

One of the things that we began doing in 1993 was to have as part of our information-gathering the number of American jobs created for every project that we did. Of course, some create more than others.

But in point of fact, foreign investment does a couple of things. It not only provides American jobs in the form of equipment manufacturing here at home, high technology, but it also promotes exports—because with investments, exports will follow.

So in terms of actually improving our economy and creating positions, I think foreign investment absolutely does those things.

One of the reasons I think you have heard a lot of testimony here today about small- and medium-sized businesses is that 10 years ago it was really large American corporations that were interested in the foreign markets. There were limited foreign markets compared to what we have right now.

Today more and more small and medium-sized businesses are seeing that future growth of their corporation and their ability to maintain American jobs here really depends on their ability to invest in some of these emerging markets.

Last, I would say, while I am sure we can come up with many more reasons, it is hard to imagine a more productive time for our financial outreach into parts of the world than right now. When you just look at what has happened in terms of the breakdown of Communist countries, as well as the Berlin Wall; when you see all of these things and the opportunities, what has amazed me in my travels, is that almost all of the countries that we go into want American foreign investment, without exception. That is the investment they prize the most, because they also desire to have a security alliance with us. That certainly is true of the last country whose President I just met with, Ukraine.

I think there is just no question, when you talk about the globalization of our economy, that foreign investment is creating opportunities for Americans.

Mr. ROTH. All right. I appreciate your answer.

I think that we do have to give a good deal of thought to exactly what we are going to do when it comes to the floor. I have already

talked to some of my friends, and this argument of too many jobs going overseas is a very potent argument. I know what you are saying is true, but it may be enough.

Ms. HARKIN. I think another thing we might do is make available to you on any given project the number of American jobs created and the caliber of the American jobs created. I think we do need to do that kind of an education. We would be happy to provide the Committee with specific numbers per project, because we do track them.

Mr. ROTH. I like that idea. If you would send that information to me, we could design a "Dear Colleague", so it would give the people who are voting a chance to take it along back home. This issue will come up in the campaign, and it would give them some positive numbers as to why this is an important issue for American jobs.

Ms. HARKIN. I would be happy to do that, Mr. Chairman.

Mr. ROTH. Thank you very much.

Mr. ROTH. Mr. Hauser, I do remember our conversation last year. I am interested again in this Trade Compliance Center. Can you go into a little more detail on that and how it is going to affect this issue of China that all Congressmen are buzzing about today?

Mr. HAUSER. At this point, sir, it is a vision that we are going to be putting some flesh on.

You mentioned I am sort of the utility infielder of the U.S. Government trade world. When Ambassador Eisenstadt is confirmed, he had indicated it is his intention to establish a central center within ITA to serve as a nucleus for monitoring enforcement efforts. USTR established a monitoring unit the end of last year. We have been in lengthy discussions with them.

We bring to bear from the Commerce perspective several things: Our country expertise, about 150, 160 people; our industry experts, about 300 people; a history, an expertise in monitoring, enforcing, from the trade law, from the antidumping and countervailing duty side of the agenda. We think we can pull together in one center a place that will track these agreements with other countries, develop some common approaches to monitoring, how we develop measuring.

Again, we have come a long way in our negotiations with Japan over the framework in the last couple of years of putting in specific numerical indicators, et cetera, of progress. We think establishing a central unit that can track these agreements, develop some common approaches, will give our negotiators the ammunition to go back and point out whether the foreign countries have, in fact, complied or not with the agreement.

As to the current issues with China, for example, we have a number of agreements with China—intellectual property rights, market access, et cetera. While I would confess, we will probably not have this unit up and running for another month or two's time, we would envision using it, working with our China experts, working with USTR, to track their compliance with it.

This has struck me, back to my utility infielder role, of having worked on various aspects of trade issues for about 25 years—I am struck that, historically, we have negotiated agreements and tend-

ed then to sort of forget about implementing them. This new focus is a very welcome one, and there are some new approaches to it.

This morning before I came up here, I was in a meeting with our Auto Parts Advisory Committee where we have developed a partnership. Government is doing some data to monitor compliance with the U.S.-Japan auto agreement. The industry has agreed, at its own expense, to do some survey work, some analytical work, to see what the individual companies are seeing by way of compliance. I think this would be the kind of model of a monitoring technique that we would like to institute across a broader array of agreements.

Mr. ROTH. In your testimony you said that the United States is last in helping its exporters.

Mr. HAUSER. Yes, in terms of resources, in terms of dollars spent.

Mr. ROTH. Can you give us, so we have some arguments for the floor, a couple of examples of what other countries are doing?

Mr. HAUSER. In terms of practices—and we will go back to our discussion in the fall, Mr. Chairman—

Mr. ROTH. Other countries, for example, don't have foreign core practices acts, which is a big, big hurdle for us to overcome in the practical world.

Mr. HAUSER. Exactly. That is one of the issues we are pursuing as part of our interagency work plan this year. We are making progress in some multilateral fora.

I think, as we talked about last fall, in some European countries, for example, Mr. Chairman, bribery was actual allowable as a tax deduction. International agreements and negotiations take some time, as you know, but we now have adopted in OECD a resolution condemning the use of bribery in member countries and taking a tax deduction for it.

We are working in the OECD. We are thinking about how in the World Trade Organization, for example, we can address some of these issues of corruption under the new rules of the trading system. So we are moving forward on those practices.

Other practices: We have talked a lot about tied aid. We as a matter of policy wanted to reduce the use of tied aid, but we have, as one of the innovations through our work in the Trade Promotion Coordinating Committee, indicated for the first time a commitment that, where U.S. companies are being disadvantaged by that foreign practice, we will match it. We are still going to work internationally to eliminate it, but for the first time we will not let our companies be disadvantaged by those practices.

Mr. ROTH. Mr. Hauser, I wonder if you could do this for me. First of all, could you, then would you? Charts are very important. Everybody has a chart when they go to the floor. I am trying to marshal my arguments for this legislation. Could you draft or design a chart for me that points out what the United States is doing versus what other countries are doing, so I can take it to the floor and sell the idea in a 3- to 5-minute presentation?

Mr. HAUSER. With pleasure, Mr. Chairman.

Mr. ROTH. Thank you. If you would share that with our staff, I would appreciate it very much.

Mr. ROTH. Mr. Grandmaison, one of our large companies had a big agreement with China, something like a \$2-billion agreement.

It was signed, sealed, not yet delivered. I was told by the company that Helmut Kohl took a plane one morning, flew to China, and, lo and behold, the Germans got the agreement.

I would like to ask you, how was that possible, and what are we doing about that sort of competition?

Mr. GRANDMAISON. Mr. Chairman, it is possible because of the reality of the marketplace that for years it would appear that we as Americans—at least it is my belief—the American Government didn't see as part of its mandate actually going out there and making sure that other countries understood we want to do business with them.

One of the major changes, I believe, that has occurred in the last 3 years has everything to do with the role of the U.S. ambassador; for the longest period of time and for all practical purposes, they had disdain for the business side. That has changed.

We have a very good relationship at TDA with the ambassadors because we are almost the only resource they have. So that when we enter into a prospective agreement and make an offer to the host ministry or private sector company, it is the ambassador in that country who goes up to the minister, for example, and says, "We want this business in the United States." That is why we hopefully we will be able to close that gap to which you so accurately referred.

When we travel, we are given a list of prospective projects by the Department of Commerce that if we get ahold of Minister X, while we have his or her ear, we are sure to mention such and such a project. That had not occurred before. I would say that rather than criticize the Europeans or others for being so aggressive, in many ways we have to take what is best about their advocacy efforts and what is legitimate and try to match it. That is precisely what we at TDA have been trying to do with the modest resources we have—and with success.

Mr. ROTH. Now, let me ask you, you said you are getting \$10 million from AID for Eastern Europe?

Mr. GRANDMAISON. No. We expect a transfer of \$10 million from the Freedom Support Act for the NIS.

Mr. ROTH. Translated, what does that mean?

Mr. GRANDMAISON. Most of the money that is provided to TDA is not made country-specific. What it amounts to is—well, let me begin by stating that our program is available in 100-some-odd countries. Last year, as an example, we did business in 72 countries. Because of budget limitations and other resource concerns, we are now marketing our program in only 40 countries.

Now, we make the best practical business decision as to where our core budget is invested. But often, as is the case that you refer to, the State Department and AID will make a transfer to us of other authorized funds, and these funds are tied to activities in a geographic region. This is the case with the NIS transfers.

We have 150 projects on the ground in Russia and the former Soviet Union actually happening—with the vast majority with U.S. companies as our partners, cost-sharing the studies with us. It is really exciting.

One of the most recent efforts that we have begun—and time will tell how successful it will be—is the following: the State Depart-

ment asked us in late November, shortly after Thanksgiving, to see if we could send a technical team to Bosnia, and here is what they wanted to understand. With no promises or commitments, they wanted to learn if there were ways that they could design the aid package, assistance package, for Bosnia, in a fashion that helped U.S. exports at the same time (i.e. there is no reason for a wall to be driven between our assistance programs, per se, and our commercial interests.)

Now, we have provided them an analysis of four sectors where they can take that information and use it to determine how they will do business in Bosnia and what sort of assistance we are going to render—but that has not been done before.

Now, it is not our decision: obviously, it is the State Department's. But we have been a resource and have given them specifics. They can use this information to plan out who makes what contribution and what dollars will be spent under the guise of foreign assistance—thus stretching our dollars even that much further, and winning support among the electorate at large, I might add.

Mr. ROTH. Winning support with the electorate at large?

Let me say that when you talk about sending people overseas, I get nervous. I was in an airport recently, last week, and I said, "Where is that person going?" "Oh, that person is going to Eastern Europe." "Eastern Europe? What is that person going to do over there they couldn't do here at home?" "Oh, AID is sending them overseas for something"—a political hack, for a week, or 10 days, or 2 weeks, or whatever it is.

Now, you don't engage in that kind of activity, do you?

Mr. GRANDMAISON. No, we don't. As a matter of fact, I can honestly say, Mr. Chairman, that I am the only hack that is traveling on TDA.

What we do is a little different. We do reverse trade missions, meaning we bring the actual people making the buying decisions in those host countries here to see the United States.

Our great preference, in candor, is not to host these visits at the ministerial level. To be truthful, it is just a great deal of extra work. We are better off if we can bring to the States the actual person that will be making the procurement decision and defining the technical standards. That is the level at which good business decisions are made.

Mr. ROTH. Let me say this to our panelists. I am very interested in exports because I do feel that if we are going to have good-paying jobs here in America, we have to be engaged in exports, and that is why, for the last 12 years, I have had an annual export conference.

And I am not trying to impress you, but impress upon you that we have had over a thousand small business people come to these export conferences every year up in Green Bay or Appleton, Wisconsin. I know that the small business people are interested in this, and I would like to help them.

It is growing increasingly difficult when a certain agency sends people overseas to perform tasks they couldn't do back home. What are they going to do over there? It gets to be more of a political problem. That is why I asked for information from you so that I

am armed when I go to the floor and try to answer some of these questions.

I think I have most of the answers to my questions as well as your excellent testimony. It should prepare our committee well.

What I would like to do is keep the record open. Many of the Members, as you know, are back in the districts today because we do not have votes this week. I know some of them had called me and asked me about questions. I would like to allow our Members to forward questions to you, and you could send them back in writing if you would. OK?

Thank you very much.

[Whereupon, at 2:08 p.m., the Subcommittee was adjourned.]

APPENDIX



STATEMENT OF

RUTH R. HARKIN

PRESIDENT AND CHIEF EXECUTIVE OFFICER
OVERSEAS PRIVATE INVESTMENT CORPORATION

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY
AND TRADE

COMMITTEE ON INTERNATIONAL RELATIONS

HOUSE OF REPRESENTATIVES

FEBRUARY 22, 1996

STATEMENT OF RUTH R. HARKIN
PRESIDENT AND CHIEF EXECUTIVE OFFICER
OVERSEAS PRIVATE INVESTMENT CORPORATION

Mr. Chairman and Members of the Subcommittee:

Thank you very much for the opportunity to be with you today to discuss the importance of global private investment as a part of the U. S. government's trade and export promotion programs.

In 1996, the Overseas Private Investment Corporation marks its 25th anniversary year of supporting American businesses investing in the world's developing nations and emerging economies. This is also an important year for OPIC because our current authorization expires September 30, 1996, and we look forward to working with you on reauthorization legislation.

The world has seen sweeping economic and social changes since OPIC opened for business in 1971. From the break-up of the former Soviet Union and the fall of the Berlin Wall to the promise of a solid and enduring peace in the Middle East -- our world and the opportunities it presents for America and our forward-thinking companies -- is a much more dynamic and promising investment landscape than we ever imagined. With global infrastructure privatization trends and the growth of free and open markets, American businesses have expanded their horizons to include global investment as an integral part of their strategic business plans.

In its early days, OPIC's trade and investment programs were viewed as a tool for foreign aid and development policy. Today, we know that investment and trade is American economic policy.

OPIC's twenty-five years of providing investment support to American companies doing business in every corner of the world has had a direct impact at home in America, in every state across the map. Our support of \$84 billion of investments in 140 countries has helped to generate \$43 billion in U.S. exports and create about 200,000 American jobs.

In addition to these domestic goals, OPIC screens every project to ensure that they are safeguarding the host country's environment and are respecting worker rights. This is an ongoing, important endeavor for the agency.

While the value of OPIC programs may have expanded, our commitment to OPIC's original mission and purpose has remained consistent. OPIC's mission is to encourage private sector foreign investment, furthering U.S. domestic interests and the economic development of emerging nations, advancing foreign policy goals.

The corporation's programs, offering financial support and political risk insurance - also have remained consistent through the years. And OPIC is still small, efficient and self-sustaining, reporting positive net income every year since its inception in 1971.

The one aspect of OPIC that has seen significant change is the demand for OPIC support from American companies investing in a world that increasingly calls out for American technology and services.

OPIC SUPPORT RESPONDS TO INCREASED DEMAND

Across America, companies large and small are uniquely positioned to take advantage of the growing need the world has for high-quality U.S. goods, services and technology. Today, OPIC is working harder than ever to turn those business opportunities into investments that deliver real American jobs and real American exports, along with developmental benefits.

Fiscal year 1995 was OPIC's most productive in its 25-year history. With only 180 employees, the agency reached new levels of support to American businesses, issuing \$8.6 billion in new insurance commitments and nearly \$2 billion in financing. These numbers represent a significant increase over the record-breaking levels set just last year when OPIC provided \$6 billion in insurance and \$1.7 billion in finance.

OPIC's support to American business has increased because the demand from American companies eager to do business in countries craving American goods, services and technology has grown tremendously.

Today, developing nations are the world's fastest-growing markets. Already these countries buy more than 40 percent of all U.S. exports -- some \$185 billion annually. And economic projections, in addition to changing government policies, indicate that the trend is just beginning.

Faced with more demands than resources, governments are increasingly unable to build and maintain infrastructure on their own. As a result, many governments now apply the same private sector commercial principles of competition, accountability and efficiency that make market economies thrive. Government-owned facilities and natural resources are being privatized, opening the door to private investment and financing.

World Bank research predicts more than a trillion dollars of infrastructure projects in the next few years in Asia alone. Latin America is expected to account for another \$500 billion.

Early on, OPIC recognized this growth trend of private investment in the world's large infrastructure projects. To help create a level playing field for large and small U.S. firms

competing for these projects, OPIC increased the amount of support that can be provided to any one venture. Today, OPIC is able to offer up to \$400 million in combined support to a single project --- \$200 million in financing and \$200 million in insurance. Prior to 1993, American businesses looking for OPIC support were limited to \$50 million in finance and \$100 million in insurance.

This increase has enabled the agency to become a major player in the world's big infrastructure projects. It is these investments that have become so critical to OPIC as they mean huge returns to the American economy -- creating high-tech American jobs and exports, and helping U.S. companies be more competitive as they compete for international bids. They also have enormous impacts on the host countries as these projects have the ability to impact the every day lives of most average citizens. And OPIC is there, backing many of those investments, every step of the way.

For example, in 1995, OPIC provided \$200 million in finance and \$200 million in political risk insurance to California's Mission Energy to build Indonesia's first private power plant. It was the largest single support package OPIC has ever provided --- but it was just part of the \$1.8 billion OPIC made available last year to nearly thirty different infrastructure projects worldwide.

Just in the last few years, OPIC has provided financing and political risk insurance for projects building telecommunications, power and transportation networks that, in turn, create expanding markets for all American companies marketing products overseas.

Fueled by the same growing demand for U.S. products and expertise, small business ventures launched by American investors are also expanding their presence overseas with OPIC support. In 1995, OPIC approved political risk insurance to a New York company to support its investment in Tbilisi, Georgia. The venture involves the establishment of a bank to provide financial services not currently available, such as financing for import and export transactions. The project is expected to generate \$1.8 million in U.S. exports from New York, Texas, New Hampshire, California, Ohio, and Tennessee. OPIC has also approved political risk insurance for a Connecticut-based company to support its investment in Ghana. The venture involves the establishment of a beverage manufacturing, bottling, and distribution center. Initial U.S. procurement will total almost \$21 million.

In Poland, OPIC provided political risk insurance to a Maryland company for an investment which involves the installation and operations of parking meter systems in two Polish cities. The parking meters will greatly improve the efficiency of city parking management. The project is expected to generate \$681,000 in U.S. exports.

OPIC is also committed to develop new products and services to meet the special requirements of small business. One of our more recent innovations to assist small business is a \$20 million direct loan to capitalize a new small business fund. The "Allied Capital

International Small Business Fund" ("Small Business Fund"), managed by Allied Capital Corporation of Washington, D.C., one of the largest U.S. small business investment companies, will provide growth capital to international projects sponsored by qualifying U.S. small businesses within a wide range of industries. The Small Business Fund, which will be available to operate in any OPIC-eligible country, intends to invest in approximately twenty-five sub-projects; therefore, the average fund investment is likely to be less than \$1 million.

The Small Business Fund is being organized in recognition of the growing level of interest in overseas projects by smaller U.S. businesses. To OPIC's knowledge, this fund is unique: it is the first investment vehicle known to provide capital exclusively to projects sponsored by qualifying small businesses. The Small Business Fund anticipates working with project referrals from OPIC that may need additional equity, thereby enabling OPIC to be responsive to the needs of small businesses in an efficient and prudent manner.

In addition, it is hoped that OPIC's relationship with Allied may serve as a catalyst that will encourage other firms in the venture capital industry to develop similar vehicles (with or without OPIC participation) to help finance smaller projects worldwide.

OPIC SUPPORTS THE AMERICAN ECONOMY

President Clinton has made opening new markets, and assisting U.S. businesses as they market their products globally, a cornerstone of his Administration. He has made trade and investment an integral part of foreign policy, recognizing that American overseas business investment strengthens the U.S. economy by improving American competitiveness in the international marketplace.

Since I became President of OPIC, I have redirected the agency's activities to support the President's goals and to put greater emphasis on projects that benefit the U.S. economy, promote exports and create American jobs.

The 105 projects supported by OPIC in FY 1995 are expected to provide significant benefits to the U.S. economy. During the first five years of operation, the projects will generate an estimated 61,857 person-years of direct and indirect employment - equal to an average of 12,371 U.S. jobs over the five year period. In addition, total U.S. exports to support the projects are expected to be almost \$4 billion during the first five years, including both initial and operational procurement. (*See Table 1*)

Estimated U.S. Economic Benefits Of Fiscal Year 1995 Projects	
Total project investment	\$10,870 million
U.S. investment in projects	\$ 6,876 million
U.S. percent of total	63 percent
Total direct U.S. project exports	\$ 3,929 million
Initial procurement from U.S.	\$ 2,705 million
Operational procurement (5 years)	\$ 1,224 million
Estimated U.S. employment generated (5 years, direct and indirect) ¹	61,857 person-years

Table 1

¹ These employment effects incorporate the direct employment necessary to produce the goods and services being procured, as well as the indirect employment required for the production of the associated intermediate inputs.

OPIC SUPPORTS U.S. FOREIGN POLICY GOALS

OPIC is authorized to support U.S. investments in more than 140 emerging markets and developing nations today. While we have learned that OPIC assistance delivers immediate benefits to the U.S. investors we support, and to the American economy, we also know that OPIC-backed investments play a vital foreign policy role for the Clinton Administration.

We continue to focus our attention and efforts on regions of the world that are U.S. priorities --- Russia and the New Independent States; Central and Eastern Europe; Haiti and South Africa; Asia and the Pacific; Latin America; and the Middle East.

OPIC backed projects in 46 countries or areas during fiscal year 1995. The largest number of the year's projects (38) is located in Europe (consisting of Central and Eastern Europe and the New Independent States of the former Soviet Union), followed closely by the Americas, where OPIC assisted 34 projects. The balance of the projects were located in East Asia (12), Africa (11), South Asia (6), the Middle East (3) and all OPIC countries (1). (See *Figure 1*).

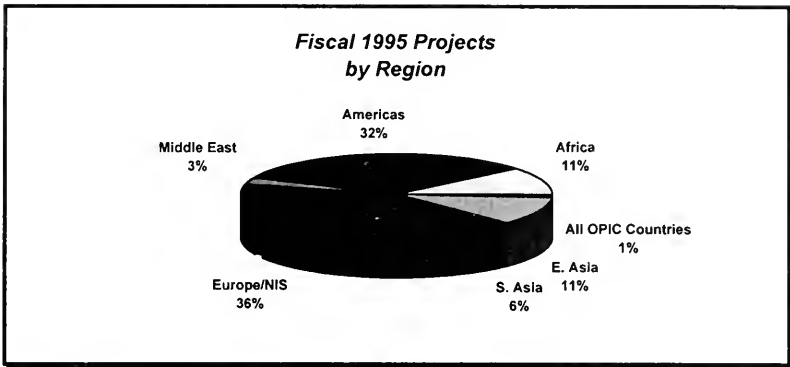


Figure 1

In many of the countries where we do business, OPIC-supported projects establish the foundation for economic stability. In other, more developed regions, OPIC projects act as a catalyst-- creating the kind of investor confidence that leads to major infrastructure development and privatization projects. Let me describe some of our recent activities on a regional basis.

THE MIDDLE EAST

OPIC supports projects that further President Clinton's commitment to peace and prosperity in the Middle East.

President Clinton called upon OPIC to provide assistance to Americans interested in investing in Gaza and the West Bank, and OPIC has met the challenge. In late 1995, OPIC announced our support to the first American investment in the region. Backed with a \$2 million direct loan and \$3 million in political risk insurance, a small Ohio family-owned business is on the ground in Gaza manufacturing pre-fab construction materials. The company has already won and completed several projects, including building schoolrooms, a local police station and airport construction offices.

U.S. companies are turning to OPIC for investments they are making in other Middle Eastern markets as well. We will be presenting to OPIC's Board of Directors in March a \$200 million political risk insurance proposal for a Michigan company that is developing Morocco's first private power project. Dearborn's CMS Generation Company was awarded the \$1.5 billion project after a fierce international competition last year. OPIC hosted Morocco's King Hassan II soon after the contract was awarded and he witnessed the signing of CMS/OPIC documents that discuss OPIC's partnership in the deal. For the U.S., the

project means significant jobs and exports --- \$375 million in U.S. procurement, resulting in over 900 U.S. jobs. For CMS, it is an opportunity to open a door. The project represents the first time Morocco has invited foreign investment into the power sector.

The NEW INDEPENDENT STATES

Working with U.S. investors to build peace and prosperity is also the focus of OPIC efforts the New Independent States of the former Soviet Union (NIS).

In Russia, OPIC provided financing or insurance to more than fifteen American investments last year. Support was provided to U.S. ventures that ranged from defense conversion and high tech industries to food processing and even bean-bag furniture.

For example, Russian technology that once served the Soviet military will now serve global industry, as a result of a defense conversion project launched by the Earth Observation Satellite Company (EOSAT). OPIC provided the Bethesda, Maryland-based company with \$600,000 in political risk insurance. This business venture utilizes over 30 years worth of declassified images taken by former Soviet military satellites for more peaceful ends such as applications in natural resource management, environmental monitoring and mapping.

OPIC also provided more than \$100 million in support to Russian telecommunications projects that are working to provide a dependable link between Moscow, St. Petersburg and cities beyond.

American investors have joined with local partners to bring innovative technology to the region. International Telcell, a small Connecticut firm with expertise in developing television programming, technology and management systems, came to OPIC for financing and insurance for five joint ventures. The project launched television networks in Russia, Georgia, Latvia, Moldova and Uzbekistan. Viewers across the region now have access to CNN International and BBC World Service Television for the first time. The U.S. benefits from the venture with more than \$80 million in U.S. exports supplied by companies based in Arizona, Iowa, Pennsylvania, Texas and Connecticut.

In 1995, OPIC also completed its first finance commitment in Ukraine. I accompanied President Clinton to Ukraine in May where he announced OPIC's \$15.5 million direct loan to Alliant Techsystems of Hopkins, Minnesota for a defense conversion project. The business will dismantle aging conventional Soviet weapons and sell the salvaged metals on the world market. The project, which also received \$20 million in OPIC political risk insurance, is expected to generate \$45 million in U.S. exports.

CENTRAL AND EASTERN EUROPE

In Hungary today, more than 110,000 businesses and homes are communicating with each other, thanks to a telecommunications joint venture between Denver-based U.S. West and the Hungarian Telephone Company. With Hungarian Prime Minister Gyula Horn looking on, OPIC and U.S. West signed a \$70 million loan guaranty to finance a cellular communications venture that is expected to double its present client base over the next couple of years. The deal represented OPIC's largest loan to date in Central Europe.

The pace of private investment in Poland has been among the strongest of all emerging economies. As a result, the demand for everyday office products, like computers, pens and paper goods, is prompting successful and interesting U.S. investments. An OPIC-backed fund is investing in a chain of Office Depot stores in Poland. The funds, which are privately-owned and managed by professional institutions with proven, successful track records, are able to mobilize new sources of private capital in overseas projects sponsored by American companies. In this case, the Poland Partners Fund made a \$2 million investment in a Miami company that owns the exclusive rights to the Office Depot brand and systems in Eastern Europe.

AFRICA

In South Africa, with the election of President Mandela, U.S. businesses and OPIC are participating in efforts to reintegrate that country's economy into the world economy. And the efforts are paying off. OPIC provided New Jersey's Englehard Corporation with \$18 million in political risk insurance for a facility that manufactures auto emission catalysts. With investor confidence strong in South Africa, the manufacturing sector now boasts a lucrative automotive industry that produces for Africa's expanding market.

OPIC, in its first investment in Madagascar, provided \$9 million in financing to a U.S. small business to establish a cellular telephone system. Local, domestic long distance and international telephone services are now available in one of the poorest countries in Africa. In addition to providing much needed telecommunications services to Madagascar's business community, the project will generate \$9 million in U.S. exports.

A significant business opportunity in the Republic of the Congo led two Texas companies to combine their strengths and jointly acquire and develop an off-shore oil producing property. Walter International, with operational experience in equatorial Africa, and Nuevo, noted for its seismic mapping and modeling expertise, approached OPIC for funding. Without assistance with the financing, the American venture could not go forward with its plan. OPIC responded with \$50 million in financing, and up to \$100 million in political risk insurance. The result: the American venture acquired the property, defeating other international bidders.

LATIN AMERICA

The market in Brazil is expected to grow by 40 million new consumers by the year 2010. And throughout the region, massive infrastructure projects are being placed in private hands. The possibilities for American investors are many.

Facing a domestic market that offered virtually no possibility for growth, one Florida power company traveled to Guatemala - and to OPIC - in order to acquire new business. TECO Power Services Corporation of Tampa ventured across the Gulf of Mexico in 1994 to explore the possibilities. The company soon won a bid to supply electrical power to a Guatemalan utility, supported by \$154 million in OPIC political risk insurance. The project now pumps 78 megawatts into Guatemala's power grid and \$50 million into the U.S. economy through export procurement.

U.S. companies are leading the charge for power projects in Latin America at every level. In 1995, OPIC approved its largest support package in Latin America, providing \$350 million in financing and political risk insurance to a Colombian power project involving Energy Initiatives, Inc. of New Jersey. The project, which will provide 8 percent of Colombia's energy needs, will also provide the U.S. economy with \$152 million in exports and support over 500 jobs.

Transportation facilities, like power, are essential to economic development. And, like power projects, successful transportation ventures can have a significant impact on a local economy. Eight years ago, OPIC saw an opportunity to help an American-Dominican partnership take off. OPIC provided a \$1.6 million loan to expand and improve the Punta Cana International Airport when no other institution was willing to take the risk. Today, thanks to reliable air accessibility, the Punta Cana region of the Dominican Republic boasts more than 8,000 hotel rooms in 14 resorts and 100 non-stop flights take vacationers to Punta Cana from the U.S., Canada, Europe and Latin America each week. In addition, the project's positive environmental effects recently resulted in OPIC's being awarded the first Sustainable Development Tourism Award from EarthKind International, Earth Pledge Foundation and the United Nations.

ASIA AND THE PACIFIC

American power and telecommunications companies, with their state-of-the-art technology and services, are a natural to step in and build the much needed infrastructure in the growing Asia Pacific region.

As I briefly mentioned earlier, OPIC assembled its largest-ever support package -- \$200 million in insurance and \$200 million in financing -- to support an American company building a 1,230 megawatt power plant in Indonesia. The U.S. sponsor, Irvine, California-

based Mission Energy will build the first large-scale, privately owned and operated power plant in Indonesia, a market of 200 million people.

In addition to providing necessary power to the local people, this project will give a major boost to U.S. exports. Almost \$1 billion in American-made goods and services will flow to the project. And America will see the creation of 3,000 jobs.

In India, where the government has made persistent efforts to cultivate a market-oriented economy, the telecommunications industry has opened to foreign investment.

The Motorola corporation has seized this opportunity -- winning a competitive international bid for the license to provide radio paging services in the commercial centers of Bombay -- India's largest city -- and Bangalore -- the center of the country's high-tech industries. For this project, OPIC's first telecommunications project in the country, we put together a \$37 million insurance package that addressed the diverse needs and political risks of Motorola's multiple sites. In the first five years of the project, America can expect to see \$4 million in U.S. exports to support the venture that also will create more than 230 host-country jobs.

MAKING OPIC WORK BETTER

The critical need for government to work better and cost less has not been lost at OPIC. After 25 years of operation as a self-sustaining and successful program, OPIC has become a model agency for efficiency and effectiveness. OPIC operates in a prudent and businesslike manner while working in some of the world's most volatile economies. Last year OPIC had record net income of \$189 million while supporting U.S. business and creating American jobs. In so doing, OPIC performs a public purpose that historically has not been provided by the private sector.

Because of OPIC's successful track record, some in Congress have asked if OPIC could be privatized. This not a new question to OPIC. Over its history this issue has been considered, and rejected, many times, most recently by the Reagan Administration in 1986.

In direct response to 1995 Congressional directives, OPIC sought answers to the question of whether privatization of OPIC is feasible in today's marketplace. To provide professional judgment and an independent answer to this question, OPIC retained the services of a private investment bank, J.P. Morgan. J.P. Morgan has considerable experience in such private sector valuations. They also have the additional benefit of having assisted in the successful privatization of another government entity, the U.S. Enrichment Corporation.

The analysis and findings of the J.P. Morgan report should prove useful in resolving the privatization question. In a study presented to the Congress on February 16, 1996, J.P. Morgan's conclusions on the feasibility of privatization of OPIC are as follows:

- A clean, outright privatization of OPIC is not a viable alternative;
- Selling OPIC with ongoing government support could be an alternative to an outright privatization;
- Potential investors in a privately owned OPIC with ongoing government support would likely value the business at a discount to current book value; and
- A sale of OPIC is likely to result in a net outlay from a budget perspective.

OPIC looks forward to reviewing the additional findings and analysis contained in the J.P. Morgan report on OPIC's financial performance and risk mitigation strategies. This will be helpful to OPIC management as part of our ongoing review of portfolio management practices and fiscal soundness. We are pleased to note that there will be an opportunity for further discussion and questions on the J.P. Morgan study when representatives of the firm appear in subsequent Congressional hearings that will be scheduled soon.

CONCLUSION

There are enormous opportunities for American trade and investment in developing countries. Today, OPIC is working harder than ever to turn those opportunities into investment that delivers real American jobs and real American exports, along with developmental benefit to the countries where we operate. Because of shrinking budgetary resources, self-sustaining programs financed by program users, like OPIC, become more valuable in the arsenal to meet U.S. foreign and economic policy goals.

Finally, Mr. Chairman, thank you for your long-standing and vocal support for U.S. trade and export programs. Your continuing leadership, working with the Administration and others on a bi-partisan basis, provides a firm foundation for meeting the trade challenges of the 21st Century. We look forward to working with you and your staff on reauthorization legislation.

Thank you. I will be pleased to respond to your questions.

STATEMENT OF TIMOTHY J. HAUSER
Acting Under Secretary for International Trade, U.S. Department of Commerce
before the
House Committee on International Relations
Subcommittee on International Economic Policy and Trade
February 22, 1996

I. Introduction: The Importance of Export Promotion

Mr. Chairman and distinguished members of the Committee, it is my pleasure to be here today to talk about the vital role that the Department of Commerce's International Trade Administration (ITA) plays in promoting the export of U.S. goods and services to markets around the world. Mr. Chairman, both you and your colleague, the Ranking Member from Connecticut, as well as other Members, have repeatedly demonstrated your appreciation for the direct correlation between export promotion and job creation in the United States. You have also shown a commitment to the belief that the federal government has a significant role to play in helping American companies do business abroad. In that regard, I want to thank you for all of your support for the work of the ITA and for letting me share with you today some of our recent accomplishments.

Before I begin, I would like to express my sincere appreciation for the work of my colleagues on this panel. Secretary Brown and I have had the pleasure of working with Ruth Harkin of the Overseas Private Investment Corporation (OPIC) and Joe Grandmaison of the Trade and Development Agency (TDA) within the framework of the Trade Promotion Coordinating Committee (TPCC), and I am honored to join them here today. It is only appropriate that we are together for this hearing because our organizations work hand in hand to assist American business. For instance, I am reminded of Nalco Fuel Tech of Naperville, IL. Our commercial staff in Warsaw helped to open key doors during Nalco's first visit to Poland. The company then returned with an OPIC trade mission and used ITA contacts to secure an \$8 million contract to provide pollution control systems to a heating plant in Legnica, Poland. With regard to our partners at TDA, Frasca International benefited from the joint efforts of the Commercial Service office in Jakarta and TDA to win a \$5 million contract to supply flight simulators to the Government of Indonesia. Neither of these sales would have happened without the combined efforts of the ITA, OPIC and TDA. I would also note that we continue to work closely with the other TPCC agencies as well.

Mr. Chairman, export growth has accounted for one-third of all economic expansion in the United States in the 1990's, with exports growing by over 7.5% annually and total exports poised to top \$1.2 trillion by the year 2000. In 1995, export sales supported 12.7 million jobs, up from 6.7 million in 1986. These are jobs that pay, on average, 13% more than those in the economy generally. The business community and the Federal Government have a vested interest in working together to promote U.S. exports, and in doing so, to create high-paying, skilled jobs at home and make American firms the most competitive in the world. The agencies of the Trade Promotion Coordinating Committee (TPCC), under the

leadership of President Clinton and Secretary of Commerce Ron Brown, have made great strides to become the private sector's partner in exporting. Nonetheless, much more remains to be done as American businesses, particularly small and medium-sized companies, continue to lag behind their international competitors in terms of export sales. The Clinton Administration developed the National Export Strategy to address this disparity, and the ITA plays a vital role in making exporting a way of life for American business.

The need for U.S. Government involvement in promoting exports arises out of the realities of the market. Imperfections in the way the marketplace provides information and access tend to skew opportunities toward larger, multinational firms, thus leaving small- and medium-sized businesses at a comparative disadvantage, especially in rapidly-changing new markets. Moreover, the significant role that national governments play in awarding contracts for major projects clearly obviates arguments about truly free markets. In order to compete effectively, companies of all sizes need market information, access and advocacy, as well as trade finance, and the Federal Government is the only entity that can provide all of these in a cost-effective manner. Our competitors recognize these market realities and embrace the role of government in exporting.

In fact, the United States continues to lag well behind its major competitors in terms of money and staff dedicated to export promotion, not to mention trade finance assistance, it provides to the business community. Based on information from our overseas posts, our 1994 export promotion budget per \$1,000 of GDP ranked dead last among major trading nations. The United Kingdom spent over eight times as much in relative terms, France spent six times as much and Germany spent almost twice as much. We do not have figures for Japan because they assert that the programs of the Ministry of Trade and Industry and the Japan External Trade Office deal exclusively with import promotion, but we view that assertion with a healthy dose of skepticism. In terms of staffing, the United States, with approximately 2,050 staff of the ITA, along with staff from the State Department's economic offices here and abroad, dedicated to non-agricultural export promotion activities, ranks last in aggregate numbers of export promotion personnel, and lags significantly behind its competitors in relative staffing terms. In fact, France has ten times as many staff in relative terms, the U.K. has seven times as many and Germany has four times as many.

In response to this challenge, the agencies of the ITA have demonstrated that the United States Government can provide fast, efficient and cost-effective service. We have accomplished this by advocating on behalf of American companies; by providing hands-on counseling in Washington and through our domestic and international posts; by providing timely information on market opportunities around the world; by working closely with industry groups to organize sector-specific promotional efforts; and by developing market-opening strategies in conjunction with our partners across the Administration.

The overwhelming majority of our work benefits small- and medium-sized companies trying to make their first forays into new markets. Though the dollar figures are sometimes small, the impact in terms of jobs can be tremendous. Let me tell you the story of several

companies that have benefited from our unique assistance:

- *Eemax, Inc. of Monroe, CT offers a perfect example of the valuable service we provide. This small manufacturer of tankless water heaters recently reported first-time sales to twelve new markets, due in large part to the service the company received from our Hartford Office and the market exposure provided by our Commercial News USA publication. Because of the assistance rendered in Milan, Mr. Andrew Cartoun, Vice President of Eemax stated, "we did enter a distributor agreement...who has subsequently visited us and placed an initial order of \$10,000. We estimate doing \$60,000 in the first year." Mr. Cartoun, whose company has increased export sales from zero to 30% of total sales, further stated, "from your efforts one small American manufacturer has grown...multiply that by thousands of small businesses who have products and services to sell overseas...and you will see you are on the right track. We manufacture here in Connecticut -- in a small plant -- and we are, we believe, precisely the prototype small American company the Department of Commerce must have designed this program to help. And help it did!"*
- *As EduSystems Inc. of Walworth, WI discovered, our assistance extends to all corners of the world, and we have a special program to assist with multilateral development bank contracts. EduSystems was having difficulty getting a contract award at Tribhuvan University in Nepal. The World Bank-funded contract was managed by a British company, which EduSystems felt was showing preference for British contractors. EduSystems turned to our commercial officer liaison to the World Bank who initiated an investigation into the deal. After further discussions between the British management company and the World Bank, EduSystems secured the \$1.8 million deal. According to EduSystems' President, William Turner, "the [ITA's] intervention, especially at the level it was made at the World Bank, may well have been the difference between winning and losing this contract."*
- *In November 1995, Black & Veatch International, a diversified engineering, construction and consulting services firm, was awarded a \$21.9 million contract -- financed by the Inter-American Development Bank -- for the engineering and consulting services portion of the Rio Reconquista sanitation and flood control project in Argentina. The project, with an estimated total value of \$300 million, includes the design and construction of as many as five wastewater treatment plants to serve the Reconquista river basin. \$100 million in U.S. exports are expected from the project, supporting over 221 U.S. jobs.*

Facing competition from European firms, Black & Veatch developed a bid based on highly competitive, quality U.S. technologies and services. To ensure a level playing field, Black & Veatch requested U.S. Government advocacy support for their bid. The Advocacy Center and the Office of Environmental Technologies Exports in our Trade Development Unit coordinated visits to Argentina by Secretary Brown and former Under Secretary Garten to advocate on behalf of Black & Veatch and other

U.S. firms that were bidding on Rio Reconquista. In addition, Commerce, through the Institute of the Americas and the Market Development Cooperator Program, sponsored a conference on water projects in Argentina to introduce Argentine decision-makers to effective solutions to their problems.

Rick Wilson, Vice President of Business Development for Black & Veatch, is very enthusiastic about U.S. Government advocacy on behalf of U.S. firms seeking to increase their export base against tough international competition. He stated, "We were very appreciative of the even support provided by the Department of Commerce and the Ambassador for each U.S. company involved in the bid process." He added, "We are feeling it (advocacy) in the marketplace worldwide, not only in Argentina. The playing field is beginning to be leveled against our European competition."

- *With help from the Canada desk of ITA's International Economic Policy unit and the U.S. Embassy Economic Section, Osborne Coinage Co., a manufacturer of transportation, amusement and vending tokens was able to open up Canada's market for their products. This market is worth \$3-4 million annually to this small Ohio company with 85 employees. Canadian laws and regulations prohibited the import of metallic trading checks or tokens until IEP's Canada desk completed two year's of discussions with the Canadian government to obtain removal of the prohibition.*

Since our last authorization was passed we have created a more effective and cost-efficient government service. Today, I would like to highlight some of the things we have accomplished over the past two years with the support of this committee. Recognizing our limitations, both in terms of our range of services and our level of resources, we have pursued joint ventures with other government agencies and with the private sector to enable us to provide more complete service to our clients. In fact, the ITA runs, on a day-to-day basis, two of the more impressive examples of interagency cooperation in the Federal Government: the Export Assistance Centers and the Advocacy Center. We have also recognized that there are some functions better suited to the private sector and have undertaken an ambitious privatization program. For fiscal years 1995 and 1996, we privatized 21 trade fairs and shows, and we have advertised 14 more shows for privatization in coming years. We hope to privatize at least three of the 14 in FY 97. Though we have privatized events, we will still provide essential support to American companies participating in trade fairs overseas. *For instance, for the 1997 Paris Air Show -- the premier trade event in the aerospace industry -- ITA has secured a "no cost" contract for operation of the U.S. displays and exhibitions. ITA, through its Office of Aerospace and its offices overseas, will continue to engage in advocacy, business counseling and matchmaking at the Air Show, but the private sector will recruit and organize the exhibition.*

II. ITA Teamwork: Accomplishments of the Past Two years

The International Trade Administration consists of four integral parts: the United States and Foreign Commercial Service, which I will refer to as the Commercial Service; Trade Development (TD); International Economic Policy (IEP); and the Import Administration. These four agencies work together to provide comprehensive market information and export promotion service to the business community while also guaranteeing a level playing field for businesses at home. The Commercial Service, which consists of 83 offices across the United States and 134 offices in 70 countries around the world, delivers ITA's programs and services directly to the business community where they need them the most: in their office at home and in their export market of choice. TD provides market research and expertise focussed on specific industry sectors and works closely with trade associations to ensure that ITA's programs effectively address the needs of the business community. With its Trade Information Center and its Advocacy Center, TD also serves as the gateway to a wide array of government export assistance programs. Of course, trade promotion cannot succeed in a vacuum, and IEP directs the ITA's trade policy efforts and provides business counseling to secure market access for American firms. Through its country desks and regional offices, IEP develops program and policy initiatives that address Administration and business trade priorities. These efforts serve our goals of expanding overseas markets for U.S. goods and services, enhancing worldwide protection of intellectual property rights and promoting U.S. commercial policy. This country-specific expertise serves not only the rest of ITA, but it also is an invaluable tool for the negotiators in the Office of the United States Trade Representative. Finally, the Import Administration (IA), which is not part of this reauthorization, provides the essential service of enforcing this nation's trade laws. By doing so, IA defends the level playing field for American businesses.

While close teamwork among the various units of ITA has always been a top priority, the current budgetary realities make it an absolute necessity. With our budget holding steady at \$235 million for export promotion in FY '95 and '96, we have relied more heavily on the synergies that exists among our programs. The result of this renewed commitment to teamwork is a more complete and cost effective ITA. That said, let me discuss some of the initiatives that our operating units have launched in the past two years.

The Commercial Service

To describe the mission and value of the Commercial Service, I defer to the President of a small exporting company from St. Louis who writes, "without the Commercial Service, our job would be more difficult and more expensive for ourselves and our clients. These costs would dramatically reduce the ability of small and medium-sized companies to explore opportunities in international markets." According to its clients, in 1995 the Commercial Service facilitated an estimated \$5.4 billion in export sales, supporting nearly 92,000 American jobs. With a staff of less than 1,300 worldwide, the Commercial Service has had to reinvent itself to make the most of its resources. By capitalizing on modern

communications technology, a team approach to export initiatives and strong partnerships with the public and private sectors, the Commercial Service increased the number of exports it supported by 46% in the last year.

With offices located in the markets that account for 95% of American exports, the Commercial Service has people on the ground to assist American companies. Commercial Officers overseas working with Ambassadors and country teams conduct market research, identify agents and distributors, advocate on behalf of American companies, assist with dispute resolution and support a variety of trade events and missions that provide business with a cost-effective way to gain market exposure. Domestically, Commercial Service trade specialists provide in-depth counseling to firms looking to launch their export efforts or to expand their overseas programs into new markets. Working with the industry-sector experts from TD and regional specialists from IEP, they help clients to identify the best markets for their products and then work with them to develop targeted marketing strategies, including identifying the most effective and affordable vehicles for gaining the market access they need. For one small company from Jonesboro, Arkansas, these services have had a profound impact. According to the company spokesman, "company sales have increased by about \$2 million, [and we have] increased jobs by about 15 people as a result of trade shows, trade missions and direct assistance of the local office of ITA."

In the past two years the Commercial Service launched two major initiatives to improve the quality of its services: the Export Assistance Center program and Integration.

- **U.S. Export Assistance Centers (USEACs):** The Commercial Service redesigned its domestic network by creating USEACs that deliver a comprehensive array of export counseling and trade finance services to export-ready firms in one convenient location. The Department of Commerce, the U.S. Small Business Administration (SBA) and the Export-Import Bank (Eximbank) formed a unique partnership to establish these one-stop-shops, beginning with pilot offices in Baltimore, Chicago, Long Beach and Miami.

USEACs replace an antiquated system that provided service strictly within state lines. With the USEACs serving as regional hubs, the Commercial Service tailored its domestic field operations to address the unique needs of business regions around the nation. Smaller District Export Assistance Centers (EACs) complement and extend the services of the USEACs to business communities that lie beyond major urban centers. Electronic links between these offices and their private sector partners ensure that exporters, regardless of where they are located, have access to the full range of government export promotion and trade finance assistance. To date, we have opened ten additional U.S. Export Assistance Centers in Atlanta, Boston, Cleveland, Dallas, Denver, New Orleans, New York, Philadelphia, Seattle, and St. Louis. To complement the USEACs, we also opened ten District EACs which are staffed by Commercial Service trade specialists.

- **Integration:** Our Commercial Officers and trade specialists are highly-trained, motivated and mobile, a combination that helps us to easily address shifting trade priorities. In the past, however, one barrier stood in the way of creating a truly effective workforce; namely the artificial separation of our domestic and overseas staffs that lingered as a remnant of the early days of the US&FCS. Previously, different personnel systems and different career paths prevented staff from working effectively as a team. We have taken concrete steps toward integrating the commercial staff from the domestic field with the officers of the Foreign Commercial Service to create a single, global workforce.

The benefits of integration will accrue to the business community as our commercial officers gain valuable experience in both domestic and international posts. Overseas experience will strengthen domestic counseling by providing practical experience in what it takes to succeed in international markets and to beat foreign competition, and domestic exposure will benefit our officers overseas by grounding them in the realities that American businesses face as they begin to look at opportunities in other markets. The end result is improved service to the business community.

- **Other Initiatives:** The Commercial Service has developed regional strategies to better serve the Big Emerging Markets, while also introducing American exporters to the opportunities that await in less-traditional venues. We have established Commercial Centers in Sao Paulo, Brazil and Jakarta, Indonesia to offer American companies the business facilitation services needed to operate effectively in these markets. Finally, we have opened offices in Haiti and Vietnam to facilitate and strengthen commercial relations with these countries.

Trade Development

Trade Development is the only bureau in the government that focuses exclusively on the capabilities of and challenges facing U.S. industry. This industry expertise is essential to getting U.S. goods and services into foreign markets. With approximately 390 employees and on a budget of some \$35 million in FY 1995 (excluding pass-through grants), Trade Development was able to count \$25 billion in U.S. export sales facilitated or preserved.

Trade Development's industry analysts use their expertise to:

- **Provide aggressive advocacy on behalf of U.S. industry in the global competition for major overseas contracts.** Trade Development is the home of the Advocacy Center, the U.S. Government's "nerve center" for developing and coordinating interagency strategies to assist American companies in winning major international contracts. Working with Commercial Service Officers and Embassy teams overseas, IEP regional specialists and Import Administration anti-subsidies experts in Washington, as well as other agencies throughout the executive branch, the Center provided advocacy services that resulted in 77 successful cases in calendar year 1995.

The estimated total value of these cases was \$31 billion, and the U.S. export content totaled \$22.5 billion. These exports will result in creating or retaining some 350,000 U.S. jobs.

- **Build the public/private partnerships that are essential to achieving success in today's highly complex international marketplace.** Bedrock activities toward this goal include:
 - *Export counseling.* Trade Development's award-winning Trade Information Center (1-800-USA TRADE) is the ITA's principal point of contact for counseling services. The Trade Information Center handled nearly 65,000 inquiries in FY 1995, primarily from small- and medium-sized businesses.
 - *Trade advisory committees.* The trade advisory committees operated by Trade Development provide a critical link between the economic interests of U.S. industries and the broader public policy concerns of the Federal Government. These committees -- including the President's Export Council, the Industry Policy Advisory Committee, three functional advisory committees on such subjects as intellectual property rights and 17 sector-specific committees -- offer U.S. industries a highly effective communications channel to use in formulating and articulating to U.S. trade negotiators their concerns and needs in multilateral and bilateral trade negotiations.
 - *Market Development Cooperator Program.* The Market Development Cooperator Program builds public/private partnerships by providing funding through cooperative agreements to help minimize the risks inherent in implementing innovative private sector market development ideas. The program challenges the private sector to think strategically about foreign markets, acts as a catalyst to spur private sector investment in export marketing and broadens Trade Development's outreach to export-capable small and medium-sized companies.
 - *Export market information.* Generating and providing export marketing information is a growing aspect of Trade Development's program. For example, 4,128 customized reports were produced in FY 1995, and 65,000 copies of reports were prepared for general distribution. Among these reports was a new U.S. Global Trade Outlook 1995-2000, the first generation of a refocused and streamlined U.S. Industrial Outlook, for years Trade Development's flagship publication.
 - *Trade events.* Trade events continue to be prominent in Trade Development's portfolio. In FY 1995, Trade Development conducted 74 foreign and reverse trade missions and catalog shows. These events benefited some 1,500 firms, most small and medium-sized exporters.

- **Play a major role in negotiating and enforcing international trade agreements, leading to the opening of world markets to U.S. goods and services.** Trade Development's participation in the negotiation and enforcement of international trade agreements is critical to the success of those agreements. Trade Development is the champion of U.S. industry's rights, interests and needs in trade agreement negotiation and enforcement, thus assuring that barriers to foreign markets are targeted and dismantled. In FY 1995, Trade Development participated in over 1,000 multilateral and bilateral negotiating sessions. Particularly noteworthy is Trade Development's work in the textile, automotive, aerospace, computer and semiconductor fields. In addition, Trade Development participated in 152 bilateral commission and business development committee sessions.
- **Conduct sector-specific initiatives.** Building on its 1994 Big Emerging Sectors study, Trade Development conducted sector-specific initiatives in FY 1995 in the environment, services and information technologies sectors. For instance, as part of the environmental initiative, Trade Development established a 35-member private sector Environmental Trade Advisory Committee, prepared export market plans for 10 markets of exceptional merit, held numerous conferences and seminars and is developing industry classification codes that will assist in capturing information concerning the extent and characteristics of this industry and its exports.

International Economic Policy

The International Economic Policy (IEP) unit is made up of Commerce's country specialists, and serves as a key U.S. Government source of commercial and marketing expertise on all foreign markets for U.S. business, policy makers, and legislators. IEP's country specialists complement our Commercial Service officers and embassy staff abroad, working with them from the Washington base to expand access to overseas markets for U.S. goods and services, increase U.S. exports through counseling and information programs, enhance worldwide protection of intellectual property rights and U.S. investment, and promote U.S. commercial policy. IEP consists of five regional groups: Africa and the Near East; Asia and the Pacific; Europe; Japan; and the Western Hemisphere, plus an Office of Multilateral Affairs.

International Economic Policy carries out the following activities:

- **Develops U.S. Government Market Access and Trade and Commercial Policy Initiatives:** IEP specialists provide in-depth knowledge of foreign trade practices to support USG market-opening initiatives for individual companies as well as more broadly for business sectors and the U.S. business community as a whole. They work with their interagency colleagues to develop and implement strategies to resolve commercial problems in specific countries and regions and thereby assist U.S. business expand their overseas activities. For example:

IEP was instrumental in getting Korea to lift its ban on the import of laser printers in May 1995. Before Korea imposed the ban -- which was in effect for several years -- Hewlett-Packard was a major player in the Korean laser printer market. The company is now exporting again and says that this restored market access will mean "hundreds of millions of dollars in new exports and sales for HP in the next few years."

IEP negotiated an agreement on access to Japan's public works construction market that for the first time provides access to U.S. firms to this \$300 billion market. Achieving even a 2 percent share of this market would lead to \$6 billion in new sales for U.S. firms annually -- or over 100,000 new jobs per year for U.S. workers.

- **Monitoring and Enforcement:** Working closely with our partners at USTR and across the Administration, IEP also has responsibility within the U.S. Government for monitoring and enforcing non-agricultural aspects of U.S. multilateral trade agreements, and plays an important role in developing Administration positions on proposed trade legislation and implementing current U.S. trade laws.

IEP conducts day-to-day monitoring and enforcement of the non-agricultural aspects of World Trade Organization (WTO) agreements and is the U.S. Government lead in establishing "outreach" programs to ensure that U.S. companies are aware of the lucrative opportunities presented by the new WTO agreements. Within days of the conclusion of the Uruguay Round, for example, our Office of Multilateral Affairs inaugurated a toll-free hotline to provide up-to-the-minute information on the impact of the new agreements on U.S. business. It also developed "flash reports" received by over 24,000 callers, and conducted seminars to inform small- and medium-sized firms about the new WTO agreements.

IEP also plays a key role in developing, monitoring and implementing U.S. trade agreements with countries such as the members of the European Union and Japan. For instance, U.S.-based exporters are having a great deal of difficulty meeting the regulatory certification requirements of the European Union -- called the "CE" mark. IEP asked the USTR, the State Department, and six U.S. regulatory agencies to support Mutual Recognition Agreements (MRAs) with the EU that will reduce the transaction costs of U.S. companies and create market access for more than \$50 billion in U.S. exports of medical devices, computers, pharmaceuticals, recreational craft, telecommunications equipment and electrical gear. IEP's role is to ensure that these highly complex technical negotiations actually produce real market access for manufacturers, while meeting the public safety needs of regulators.

- **Provides Personalized Business Counseling:** IEP's country specialists counsel and advise U.S. firms on economic and commercial developments in individual markets and regions. In these business counseling sessions they provide U.S. business with expert advice on best prospects and marketing techniques for U.S. exports in certain

markets, how to comply with foreign trade regulations and how to complete complicated foreign customs documents to obtain access to foreign markets.

About 26,000 companies annually turn to IEP's Mexico Desk to learn how to fill out the complex NAFTA customs forms needed to export to Mexico. There is no other source of such help in the U.S. Government. Even UPS turned to IEP to hold seminars around the country, attended by 20,000 mostly small businesses in 1994.

- **Collects and Disseminates Commercial Information:** IEP provides U.S. exporters with detailed information on foreign sales opportunities, marketing techniques and foreign tariff schedules (the only U.S. Government source for the latter). The past several years have seen IEP move to disseminate this information through the use of state-of-the-art automated fax-on-demand systems and increasingly the Internet. This has greatly enhanced the use of this service by U.S. businesses, enabling IEP to respond to over 250,000 business inquiries last year.

IEP's Office of Japan created a fax system to quickly provide information to the U.S. business community in response to the situation created by the earthquake in Japan in early 1995. This system disseminated information on specific Japanese government actions in the Kobe area and reports on commercial opportunities. It helped U.S. companies increase their sales in Japan while helping Japan meet reconstruction needs estimated at \$100 billion (Alan Prefab Building Inc. of Gardner, CA sold over 100 prefab houses as a result of a trade lead received through this service).

Trade Promotion Coordinating Committee

Of course, we do not do all of this work in a vacuum. To help ensure that the entire Federal government is working together to promote U.S. exports, Congress -- and in particular this Committee -- through the Export Enhancement Act of 1992, created the interagency Trade Promotion Coordinating Committee (TPCC), giving it the mandate and the tools to coordinate Federal export promotion efforts. In response, we developed, at President Clinton's direction, the National Export Strategy, our nation's first strategic plan to increase jobs and economic growth through exports.

Since its inception, the TPCC, chaired by the Secretary of Commerce, has streamlined, simplified, and focused Federal export promotion programs. Indeed, it is now a fully integrated team, ensuring that our programs meet the needs of U.S. exporters -- particularly small and medium-sized businesses. Our goal is to increase U.S. exports to \$1.2 trillion by the year 2000, supporting over 16 million U.S. jobs.

To meet this challenge, we began by taking a hard look at what we did and -- in the best spirit of government reinvention -- asked how we could do it better. During our first year in 1993, we developed 65 concrete recommendations to leverage our resources and remove obstacles for American exporters. In 1994, we reported on the significant progress

we had made in implementing these recommendations and set some new directions -- like our focus on Big Emerging Markets initiative -- to tailor our support based on geographic or sectoral-based opportunities. Last October, we refined and deepened our strategy by aiming our efforts toward two key areas: enhancing our advocacy efforts on behalf of American companies and helping small and medium-sized businesses. We believe that this dual focus will have long term benefit of both leveling the playing field overseas for U.S. exporters and increasing the number of U.S. firms able to enter the global marketplace.

- ***Advocating on Behalf of American Firms:*** *As I have already mentioned, the Advocacy Center located at Commerce coordinates the Advocacy Network, an interagency advocacy effort on behalf of U.S. firms competing overseas. The Center acts as the hub of what is truly an aggressive interagency effort. For example, the combined resources of the Federal government helped F.C. Shaffer and Associates -- a small firm from Baton Rouge, LA. -- win an \$83 million contract to build a factory in Ethiopia. In December 1992, TDA offered to provide training funds to the Ethiopian Government in support of Shaffer's bid. The company then turned to the State and Commerce Departments for advocacy and commercial information and to OPIC for political risk insurance for the project. The combined effort helped to secure the contract in November 1994. The company reports that this kind of coordinated approach, which wouldn't have taken place even a few years ago, helped them win a contract that will support 50 jobs and generate over \$50 million in initial procurement.*
- ***Helping Small and Medium-sized Businesses:*** *I have already mentioned that along with SBA, Eximbank, and in one case AID, we have created a nation-wide network of U.S. Export Assistance Centers. We are also working on a number of other initiatives aimed at helping small businesses -- especially in the area of trade finance. Our efforts are geared toward increasing access to financing for small businesses, working with the banking community to make trade finance for small business more attractive, expanding our outreach, developing electronic linkages to help distribute important information and reviewing any regulatory obstacles which may limit the ability of lenders to offer export financing.*

III. The Future Agenda: Meeting Foreign Competition Head-on

As our competitors redouble their efforts to secure market share for their companies, so the ITA will do everything in its power to ensure that American businesses enjoy a level playing field in the global marketplace, especially the small- and medium-sized companies that have the greatest need for our services. I have described a few of the initiatives that we have undertaken in the past two years. Now I would like to give you a glimpse of what we hope to achieve in the near future, and what you can help us to achieve by authorizing such sums as are necessary and appropriate to enact our export promotion programs.

Our competitors' efforts go beyond merely dedicating greater resources to export

promotion. You may remember that last October, when Secretary Brown released our Third Annual Report on the National Export Strategy, we also released a classified report detailing the lengths to which our trading partners will sometimes go in helping their national firms win important contracts -- contracts which usually hold the promise of lucrative follow-on deals -- and the detrimental affects that these practices have had on the competitiveness of U.S. businesses. In particular, we cited some alarming figures: that of 200 projects which we were able to track over an eight year period, American firms lost approximately 45 percent of those deals due, at least in part, to the intervention of foreign governments. These projects totaled some \$25 billion and would have supported as many as 500,000 U.S. jobs. We also believe that this is only the tip of the iceberg and that the use of anticompetitive practices, concessionary financing, and other dubious forms of political and economic pressure will only increase as the industrialized world competes for an estimated \$1 trillion in pending large-scale projects around the world.

That unprecedented study has not just sat on a shelf. We believe that for the sake of the long-term competitiveness of U.S. firms it is essential that we develop a comprehensive government-wide plan to counter these trade distorting practices. We are currently working to do just that. In fact, Secretary Brown recently held a policy roundtable with a number of CEO's of exporting companies as well as experts in this area, and heard first hand the priority the private sector place on our attention to this issue. As part of our public/private partnership, we are discussing with other TPCC agencies how we can follow-up on some of the suggestions we heard from companies at the roundtable.

We will develop a National Export Strategy this year which address foreign competitive practices and, encourage good governance initiatives, and will aim to develop a policy response to what our competitors are doing in such key areas as: trade promotion, trade finance, offsets, technical assistance and standards as well as such illicit practices such as bribery.

Aiding Small- and Medium-Sized Exporters

Another top priority for the coming year is to further enhance our services to small- and medium-sized U.S. companies. According to a company in Illinois, "[the ITA's] services are critical in giving small businesses the opportunity to grow internationally because it too often proves too costly. The Department of Commerce is the small businessman's only prayer to exporting cost effectively and efficiently." The Trade Information Center; our flashfax services that provide information on doing business in the NAFTA countries, Brazil, Russia and the Newly Independent States, among others; the Export Assistance Centers and the majority of our trade events and missions serve this vital segment of the business community.

To launch their export efforts, small- and medium-sized companies need market research, access and trade finance. The Export Assistance Centers offer all three components at an affordable cost. We plan to open the Detroit USEAC in the coming

months, thereby completing the first part of this initiative. If funding is available, we will then work to complete the nationwide network over the next two years. We will also strive to make our market research more accessible through technology. We have already made extensive use of the flashfax system and have placed one of our most valuable tools, the National Trade Data Bank, on the Internet. In the coming months we will coordinate the efforts of the individual units within ITA to create a consolidated home page on the Internet that will serve as a gateway to a whole range of information sources.

Regional initiatives

We provide export promotion service with an eye for providing the greatest bang for the buck for American exporters. To do that, we have focussed many of our efforts over the last two years on the ten Big Emerging Markets (BEMs) projected to enjoy the most dynamic growth in the coming decades. These countries: the Chinese Economic Area, including Taiwan and Hong Kong; South Korea; India; the ASEAN nations (Indonesia, Malaysia, Brunei, Vietnam, Thailand, Singapore and the Philippines); South Africa; Brazil; Argentina; Mexico; Poland and Turkey, are expected to account for over 40% of world imports over the next fifteen years. We have developed a strategy that applies a regional approach to our export promotion programs, recognizing that the BEMs often serve as the engine of growth for an entire region. By targeting the BEMs and using them as the gateway to other markets in the area, we make the most efficient use of our limited resources.

In looking at what we could do to enhance our services in the Big Emerging Markets, we recognized the pressing need among American exporters for business facilitation services when they operate away from home. This proved especially true in some of the BEMs where such facilities are harder to come by than in, say, Europe or Japan. To provide much-needed business facilitation services -- including phones, faxes, interpreter services, office and product exhibit space for rent -- we established Commercial Centers in Sao Paulo and Jakarta. These Centers have already demonstrated the value of placing our commercial offices outside of embassy walls, and we plan to open our newest Commercial Center in Shanghai this spring. To help U.S. businesses take full advantage of the opportunities presented by these emerging markets, we are preparing individualized strategies for each of our BEM countries. These strategies include focusing our trade missions, advocacy, personnel, targeted commercial information and education efforts in the United States aimed at small and medium-sized businesses.

Our strategy has also included the establishment of permanent bilateral business development councils with India, Brazil, Argentina and South Africa. This year, our efforts will focus on extending and enhancing these programs and deepening our ties with these markets. Working closely with State Department missions overseas, we are also focusing our efforts on the challenges that these emerging markets present to U.S. exporters, and more broadly to the U.S. government. These include market access issues, intellectual property rights, and the participation of the BEMs in the multilateral trading system.

To date, the BEMs initiative has been broad in scope and significant in its achievements. For example, over the past year we expanded our BEMs strategy from Indonesia alone, to encompass all of the nations of Southeast Asia, or the ASEAN (Association of South East Asian Nations) countries. Our *Destination ASEAN* program helps American businesses by providing a series of matchmaker mission, specialized market research, a flashfax system which includes detailed market information and updates on seminars and conferences.

While the BEMs hold great promise for the future, especially for companies that can afford the greater risk associated with emerging markets, the European marketplace continues to offer excellent opportunities for today's exporters. No other market lends itself as well to a regional strategy for export promotion. Faced with diminishing resources, our posts across Europe embraced the concept of marketing the European market as a whole, thereby expanding the range of opportunities available to our clients. We created Showcase Europe, a comprehensive program to expand U.S. business penetration of the European market. By approaching Europe as a single market and employing regional and sub-regional strategies, rather than national ones, we can convince U.S. firms to capitalize on opportunities in smaller, less traditional European markets. In addition, working with our European partners, we have begun a TransAtlantic Business Dialogue to ensure the voice of business is heard as we shape our future trade relations.

Enhancing Advocacy

For FY 1996 and beyond, ITA intends both to expand the scope of its advocacy efforts and to increase the effectiveness of those efforts. Specifically, we have set the following goals:

- *Achieve "closings" on a high percentage of the 400-plus projects now pending in the Advocacy Center, as well as on additional advocacy requests. ("Closings" in this context refers to advancing projects so as to create or support U.S. jobs.)*
- *Use major project cases to counter questionable business practices by foreign firms or their governments on an institutional basis.*
- *Build public recognition and support for the advocacy program, which will result in the program's benefits being more widely available.*

These goals will be accomplished through a combination of (1) expanded coordination with other U.S. Government agencies, particularly agencies with an advocacy role such as State Department's missions overseas, and those with trade finance responsibilities such as Eximbank, OPIC and TDA; (2) improved technical and staff capabilities for collecting information on and continuously monitoring international projects around the world; and (3) enhanced publicity for project opportunities and

successes.

Monitoring Trade Agreements

As I mentioned earlier, ITA has a very effective Import Administration that impartially enforces our anti-dumping and countervailing duty laws. As Under Secretary-designate Eizenstat has indicated in his recent testimony before the Senate Finance Committee, to complement that effort, we plan to create a Trade Compliance Center in the Office of International Economic Policy devoted to monitoring foreign compliance with our trade agreements. This Center, which will utilize existing ITA resources, will draw on the sectoral and geographic expertise of the ITA. It will be headed by a senior ITA official and will serve as a central repository of monitoring expertise. The Center will bring together existing monitoring efforts and will provide a central source for data collection, analysis of foreign compliance and the development of monitoring techniques. It will complement and work closely with the effort by the USTR to establish an enforcement office, as well as with other agencies of the government and the Congress to ensure that American firms and workers receive the full benefits from the trade agreements that the United States has negotiated over the years.

V. Conclusion

Mr. Chairman and respected members of the Committee, thanks to your ongoing support for our programs and the resources authorized by this committee, we have built the ITA into an example of effective government, one that pays significant returns to the American economy. We look forward to your continuing support as we work to open doors for American business around the world and, in doing so, to create high-paying jobs for Americans back home. I want to thank you for your time today, and I would be happy to answer any questions you might have on the programs I have mentioned.

Statement
of
J. Joseph Grandmaison
Director of the U.S. Trade and Development Agency

Before the House International Relations Committee
Subcommittee on International Economic Policy and Trade

February 22, 1996

Mr. Chairman, members of the subcommittee. I am delighted to be here to discuss the work of the U.S. Trade and Development Agency to increase jobs here at home through exports.

I am especially pleased to be part of today's panel that includes my colleagues Ruth Harkin of OPIC and Tim Hauser of ITA. Although we each have a separate row as part of the Trade Promotion Coordinating Committee, we are a team that is working in sync to help U.S. firms meet and beat foreign competition for projects overseas.

Today I would like to detail the Trade and Development Agency's role in our nation's export promotion policy, to show you how our agency — with only 38 staffers and a modest budget — has the flexibility to work strategically with other trade agencies, our ambassadors abroad, the U.S. Foreign and Commercial Service, and the development banks to ensure that American firms, both small and large, effectively compete for contracts on large capital projects throughout the world.

As an independent agency, we have progressed from our inception in 1981 as "the best kept secret in Washington" to a lead player on our trade promotion team. We recently were cited in the *Wall Street Journal* as "one of the leanest and most efficient agencies we have." We take a great deal of pride in our ability to act as a rapid response team, to tap commercial opportunities for U.S. firms abroad, and to be responsive to our nation's foreign policy objectives, including the privatization of national industries in various parts of the world.

I am pleased to report that we have been enormously successful in getting the job done. Since 1981, we have been associated with more than \$7 billion in exports — or nearly \$30 in exports for every dollar invested in TDA activities. I should note that these figures are program investments matched against confirmed exports. We are assured of the accuracy of these figures because we track each and every investment we make from start to finish. In terms of employment, TDA identified \$1.2 billion in additional exports from projects we were associated with last year, supporting more than 20,000 jobs here at home.

As you may know, TDA's FY 96 budget is \$40 million. We anticipate receiving another \$10 million in transfers from the Freedom Support Act for projects in the NIS. We also received \$150,000 from the State Department to conduct a reconstruction analysis for four sectors of development in Bosnia.

In Fiscal Year 1995, we funded a record 430 activities in 72 middle-income and developing nations, laying the foundation for American companies to get in on the "ground floor" of billions of dollars in industrial and infrastructure improvements.

Getting American companies in on that "ground floor" is where TDA excels. It is our niche. We ensure that an American company can compete for a project when it is in the planning stage. If U.S. companies are not there when a project is in the development stage, you can bet we will not be in contention when the contracts are drawn up to supply goods and services to implement the project.

Furthermore, without government cooperation, it is often impossible for U.S. companies to win contracts for these multi-million and billion dollar projects. Remember that the governments of every other industrial nation are beating the drums for their companies, many of which are government-owned. They often throw in everything including the kitchen sink to ensure they win contracts. While the American business community does not expect us to engage in the lavish direct product marketing that officials of some governments consider routine, it does expect our government to at least level the playing field so the private sector can compete with the French, the Germans, and the Japanese. This is what the U.S. Trade and Development Agency is all about.

We work with companies as large as Caterpillar and IBM, as well as with small businesses of under 50 employees, such as Marketcrafts International of Linwood, Washington, which recently conducted a feasibility study for a potato processing plant in Estonia.

We team up with companies that never exported before and others whose sole business is exporting. In some cases, firms come to us to support their efforts after being thwarted by a roadblock or by foreign competition. But in most instances, we discover opportunities and move swiftly to steer them to American companies — opportunities that would otherwise have been lost, either because our foreign competitors have beaten us to the punch or because the private sector would not have discovered or developed these potential business opportunities without our help.

Be aware that competition for the estimated \$200 billion in capital infrastructure projects abroad slated for the next few years has never been more fierce. Let me give you an example in one sector of what we are up against.

In Mexico, Germany committed \$3.5 million in 1994 to promote the exports of its environmental technologies. Over the past few years they spent a total of \$8.8 million for technical assistance, including bringing 24 technical experts from Germany to the offices of the Mexico City Metropolitan Commission. With limited funds, TDA was able to provide only \$1.2 million in feasibility study grants to Mexico last year for a wide variety of projects. There is no doubt in anyone's mind that German companies will win the lion's share of the billions of dollars in environmental technologies required to tackle that city's pollution problems — this in a nation that borders ours and where we should be far more competitive than a European nation.

It is no secret that the French, Germans, and Japanese have long recognized the importance of "early money." That is why they are plowing far greater amounts of their trade promotion budgets than we are into the type of work that TDA performs. Japan's budget of \$250 million is nearly six times that of TDA's. The budgets of

France, Germany, and even Canada also dwarf ours on a GDP basis — as best as we can determine.

Which is why TDA must work harder and smarter than our foreign competitors, and leverage the dollars that we do have. We think much like a venture capitalist, using our funds for projects that will yield maximum payback in terms of jobs for Americans.

Before selecting a project for TDA support, we ask the following questions:

- **Is the project a development priority of the "host" country?** Before TDA becomes involved, we must receive a formal request from the host country, and the U.S. embassy must endorse our participation.
- **Does the project have significant U.S. export potential?** We look for projects that represent an opportunity for sales of U.S. goods or services that are many times greater than the cost of TDA assistance.
- **Does the project have financing availability?** We select projects where implementation financing that is not tied to a foreign country must be available or likely, and the procurement process must be open to U.S. firms.
- **Is it likely that the project will generate strong competition?** We look for projects where it is likely that U.S. companies will face strong competition from foreign companies that receive subsidies and other support from their governments.

It is important to note that, unlike OPIC or Ex-Im, TDA does not provide project financing or insurance; we get involved at a far earlier stage. Ex-Im and OPIC come in once the project is beyond the drawing board. TDA, on the other hand, often is there when the project is in the concept stage. TDA's job is to pick opportunities that would not have taken place without our government becoming a strong partner.

Think of it this way: When a highway, an airport, or a wastewater treatment plant gets built in your district, years of studies and planning are involved before decisions are made about which products are used, what companies will provide

them, and a lender is selected or a capital expenditure is approved. The U.S. Trade and Development Agency, with the assistance of embassies abroad, puts its foot in the door for American suppliers when the project is at this early stage of development.

How and why do we do this? Our agency funds project planning activities which will directly influence the procurement decisions related to major infrastructure projects, principally in the energy, transportation, communications, environmental, and industrial sectors.

Foremost among the activities TDA funds are feasibility studies, better known as project, or business, plans. These plans are required by the financial institutions in assessing whether a project should be financed, and typically include a wealth of technical, marketing, and product specification information. We are the only agency that funds such studies.

When U.S. engineering firms conduct the studies for foreign governments or private sector investors abroad, the recommendations and specifications can be written to American codes and standards. This is exactly what leads to exports for the service providers and manufacturers of American-made products.

Let me give you a few examples from around the globe on how these studies lead to jobs in your districts:

- A small New Jersey-based business, Hoffman International Inc., recently opened the first construction equipment leasing business in Russia. An initial shipment of equipment, procured from a variety of manufacturers throughout the U.S. including suppliers in Illinois, Wisconsin, and Texas, is valued at \$4 million — and the company believes that this is just the tip of the iceberg since the Russians plan to spend \$2.9 billion for road work during the next four years. TDA provided funding for a feasibility study that laid the groundwork for this project. It also funded an orientation visit to the U.S. by six prominent road builders in October 1995 that allowed the Russians to inspect American equipment at work and seal the deal.

- Another project in Russia involving larger companies will result in larger exports. But it points to the need of American companies of all sizes to have the advocacy clout of the U.S. government. Russia is expected to need about 1,600 new commercial aircraft during the next 20 years. By the year 2000 alone, the Russians project they will need 250 large jets to expand their fleet and replace aging Aeroflot carriers. Sensing an opportunity to supply American components for these IL-96M aircraft, more than a dozen American companies teamed up with our agency to ensure government support for their efforts that key components for these planes be "Made in the U.S.A." We provided a \$1 million grant — matched by \$1.4 million from Pratt & Whitney and Rockwell Collins — for a feasibility study for the project. If an American company assisted the Russians in the planning of this massive aircraft construction project, we reasoned, they would select American components for their jets. As you may know, the Russians decided to go forward with the U.S. proposal. \$1 billion in U.S. exports will be generated — an impressive return on our investment. Ex-Im will provide the financing.

- Another of our most recent successes is in Thailand, where we worked hand-in-hand with the Petroleum Authority of Thailand, the PTT, to help expand that nation's energy sector. In 1989, when the government began exploring the possibility of establishing additional facilities, TDA provided a \$600,000 grant for a feasibility study to evaluate the technical promise of the project. The Thai government agency selected Fluor Daniel Inc., one of America's leading engineering firms, over stiff British competition to perform the work. Fluor's study led another leading American engineering firm, Bechtel International, to win a major \$11 million design contract for a new pipeline. And as a result of that study, the government implemented two additional projects, one that is operating and another slated for completion this year. Although both these companies are large, they needed their proposal to be "wrapped in the flag" of the U.S. government to fend off a British competitor that had received tremendous government backing. Numerous American companies are supplying more than \$260 million in goods and materials for these projects. Phil Everist of Napa Pipe in California, who provided 120,000 tons of pipeline valued at \$90 million, says that because of TDA's

help, "We used to be only a player on the domestic market; now we are a player internationally."

More and more small businesses are exporting thanks to our programs. All of TDA's Definitional Missions and Desk Studies are completed by small businesses. Last year this accounted for approximately 43 percent of our program activities. Under funds appropriated in FY 95 for feasibility studies, small businesses already have secured almost 40 percent of the awards to date — a dramatic rise from years past. They also team up with larger firms to serve as subcontractors on TDA-funded studies, and they sell their equipment and services when projects move to implementation. Throughout all our program activities, small businesses have a unique opportunity to gain valuable contacts with foreign purchasers.

We continue to seek ways to help smaller companies become more effective in the export market. We have held business briefings both in the U.S. and abroad that allow small and medium-sized business owners to meet "one on one" with sponsors of overseas projects. At TDA's recent "Infrastructure Opportunities in South America" conference, for example, more than 700 face-to-face meetings were held between U.S. companies and project sponsors.

We also produce detailed reports on projects for these conferences. They typically include market, finance, and technical information on projects — data that cannot be found anywhere else. For less than the price of an airline ticket overseas, we provide business executives with the information they need to crack open new markets and meet project sponsors.

We also conduct orientation visits — reverse trade missions — where we bring foreign procurement officials to the factories, facilities, and board rooms of American companies. Hardly a week goes by without a delegation from abroad touring American facilities to shop for products and services. In the next few weeks have banking officials from Hungary visiting three states to inspect the latest U.S. technology in financial information systems, Peruvian public and private sector officials visiting several cities to examine technology products and applications, and representatives from the Phillippines National Telecommunication Commission

meeting with companies throughout the U.S.

In 1995 over 400 U.S. firms gained entry and exposure to overseas business opportunities by participating directly in TDA-funded activities. This direct support, however, is only part of the TDA picture.

We believe in building partnerships with the private sector. During the past several years, our agency has taken two creative approaches to leverage our budget and strengthen our partnerships with the private sector in a project.

First, the agency has become more vigilant than ever with its policy of requiring the cost-sharing of feasibility studies. Approximately 65 percent of our agency's studies were cost-shared in FY 1995, a substantial increase from years past.

In addition, TDA last year instituted a "success fee" program to recoup the costs of our investments in projects that lead to significant exports. This reimbursement program is an innovative way of recovering our investments from projects that result in success.

Innovative. Flexible. Responsive. Those are the trademarks of our agency as we build on our record of working with the private sector to create jobs for Americans through exports. We look forward to working with the Subcommittee to make our programs even more effective and responsive.

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