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NATIONAL EXPORT STRATEGY: THE SECOND ANNUAL REPORT OF THE TRADE PROMOTION COORDINATING COMMITTEE

4. F 76/1:T 67/15/994

National Export Strategy: The Secon...

HEARING
BEFORE THE
SUBCOMMITTEE ON
ECONOMIC POLICY, TRADE AND ENVIRONMENT
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS
SECOND SESSION

OCTOBER 5, 1994

Printed for the use of the Committee on Foreign Affairs



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NATIONAL EXPORT STRATEGY: THE SECOND ANNUAL REPORT OF THE TRADE PROMOTION COORDINATING COMMITTEE

WEDNESDAY, OCTOBER 5, 1994

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON ECONOMIC POLICY,
TRADE AND ENVIRONMENT,
Washington, DC.

The subcommittee met, pursuant to call, at 1:47 p.m. in room 2172, Rayburn House Office Building, Hon. Sam Gejdenson (chairman of the subcommittee) presiding.

Mr. GEJDENSON. Mr. Secretary, we are impressed with your ability to escape the clutches of the Senate. A less able man probably would have gotten here tomorrow. And we are happy to see you. And you can see how happy my colleagues to the left of me are. They are smiling away here.

First, let me say that I have worked with a lot of people in this administration and previous administrations and in all seriousness, there has been no member of the cabinet or the government that I have worked with in the years that I have been here who mastered his area faster, and clearly there is no one who has a broader area to cover, than Secretary Brown. And we are grateful for the work you have done and appreciative of you giving us some time today.

And we understand how difficult it is dealing with the Senate. There is an old saying in the House: The Republicans are just the opposition. The enemy is the Senate: So, we are glad to have you here.

We are delighted to have Secretary Brown with us today to discuss the second annual report of the Trade Promotion Coordinating Committee, the National Export Strategy. This has been a phenomenal year for export promotion. I commend all the agencies and departments that make up the Trade Promotion Coordinating Committee for the contributions to this report.

I want to single out a few individuals, however, who have been really outstanding in the last 2 years. First, as I just said, Secretary Brown, who carries probably more mandates than anybody else in the executive branch, has focused his agency and his department on the importance of this report and focused it on exports, and the result has been absolutely spectacular. Three other individuals with whom I've had the pleasure to work with also deserve great credit: Ken Brody of Eximbank of the United States, Joe

credit: Ken Brody of Eximbank of the United States, Joe Grandmaison Graham of the Trade and Development Agency, and Ruth Harkin of the Overseas Private Investment Corporation. All of these individuals have worked very hard to make significant changes within their agencies to improve the Nation's competitiveness.

One thing that all administrations have to watch out for is the danger of people in the cabinet, the different agencies, fighting amongst themselves rather than working together. Again, I think we can give Secretary Brown great credit and leadership for pulling all these forces together.

Before we hear from the Secretary, I would like to say a word about this report. This report is thorough. The TPCC not only addressed what we are doing well, but also targeted areas for improvement. If my colleagues do not have time to read all 150 pages, I recommend or ask that they please read the introduction and the executive summary. It provides a list of our trade accomplishments over the last 2 years, enormous achievements for an administration just 2 years old.

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

Mr. GEJDENSON. Mr. Roth.

Mr. ROTH. Thank you, Mr. Chairman.

Mr. Secretary, it is nice to have you with us, and 34 days from now when we take over, we are still going to be nice to you.

Let me join in welcoming the Secretary. The principal focus of this subcommittee is to increase exports and to create jobs for American workers. And we work in a spirit of bipartisan cooperation and we have been effective in pursuing this goal. The Congress—this Congress alone, we have produced three bills on export, expanding our exports, and we appreciate, Mr. Secretary, you helping us in that area a great deal.

Two years ago, we gave the TPCC the statutory authority because you were convinced that better coordination of our trade promotion is essential to expanding our exports. And I know that Secretary Brown shares that goal.

The report that he brings to us today is well done and it—to me it confirms the importance of our 1992 legislation. While I can say I haven't read all of it, I did read the introduction and read the synopsis of it and I think it is very well done. I look forward to your testimony, Mr. Secretary.

Secretary BROWN. Thank you, Congressman Roth.

Mr. GEJDENSON. Other members? Thank you.

Mr. Secretary. We are happy to hear from you.

STATEMENT OF HONORABLE RONALD H. BROWN, SECRETARY OF COMMERCE, DEPARTMENT OF COMMERCE

Secretary BROWN. Thank you very much, Mr. Chairman, and distinguished members of the committee. I am very pleased to have the opportunity to be with you this afternoon. I apologize for my tardy arrival.

I am pleased, first and foremost, to be able to present our second annual report on the work of the Trade Promotion Coordinating Committee. And I would like to thank you very much, Chairman

Gejdenson, for your strong support of our efforts over the last year and for your continuing advice and counsel, as well as other members of the committee. I think there is no more important work than we are doing in America if we are really committed to and concerned about economic growth and the creation of jobs for the American people. It might well be that our National Export Strategy is the best job creation program we have, and I think we have to do a better job of connecting that concept.

This is not esoteric. This isn't about philosophy or ideology. This is about relentless pragmatism. How do we create economic opportunity? In my judgment, I think one of the ways we create economic opportunity is export expansion.

I would also like to express my deep appreciation for the tremendous cooperation that I have received from my colleagues. As I believe you know, the Trade Promotion Coordinating Committee is made up of 19 agencies and departments of the Federal Government, and my job has been to try to get all these pieces working together, pulling in the same direction, and I think for the most part we have accomplished that.

I would like to single out Ken Brody, who is the President of the Eximbank, and Cassandra Pulley, who is the successor to Erskine Bowles. She is now the Acting Director of the SBA. And of course Alice Rivlin, the Acting Director of the Office of Management and Budget. But I would include in those accolades all of my colleagues who have served and their names are all listed on the back of the report.

Mr. Chairman, I think it is fair to say that this report is but evidence of a journey begun. And as proud as I am of what we have accomplished in a relatively short time, we still have much work ahead of us. As I think most—I know that you know and most of the members of your committee know, I have traveled around the globe leading Presidential business development missions, advocating the commercial interests of the United States. That is something relatively new. The fact is that we have taken a much more aggressive and proactive posture.

My view is that it is the role of any administration to stand shoulder-to-shoulder with American business and industry because, after all, it is the private sector that creates economic growth and creates jobs. We know that American exports equal American jobs. It is a very simple equation and an undeniable equation.

We know trade is not a zero sum game. When we trade with other nations, both sides win. Trade promotion is a means, not merely an end. When American companies win contracts to upgrade infrastructures in foreign countries, the citizens of that country receive effective quality products and services while supporting jobs here at home.

I have had the opportunity to travel to Russia, China, Japan, Saudi Arabia, Mexico, Argentina, Chile, Venezuela, and South Africa. In all of those cases, it has been with one purpose in mind, and that is to help American companies not only compete effectively but to win in this increasingly competitive global marketplace. And in almost all of those instances, we have been accompanied by CEOs of American companies so that foreign nations see us as working

together, that is, government and the private sector are working together, being a part of the same team.

That was certainly the case in South Africa. I mentioned South Africa because of the presence in our Nation of President Nelson Mandela this week. Just 4 days after President Clinton signed the sanctions-lifting legislation, I was in South Africa with a business delegation promoting the commercial interests of the United States and I think doing things that will help economic development in South Africa. Obviously, both of those are in the interest of the United States.

It was the first trade and investment mission to South Africa from the United States in 30 years. It is bearing—it is bearing fruit already. And I think it demonstrates how American presence, how commercial involvement, how commercial engagement can help to—to really make sure that our ideals and values and ideas permeate other countries.

I think you have got to be there. You have got to be there on the ground. I think it is important for American business and industry to be on the ground using the so-called best business practices and therefore having an impact around the world. That certainly is the case with China, but I think it is the case every place else, as well.

As a result of our work this year, Mr. Chairman, we have decided to be—to be bold, and that is to up our predictions, our goals for the year 2000. We had indicated that we wanted to reach \$1 trillion in exports by the year 2000. Based on the work we have done this year, we want to—we want to take that to \$1.2 trillion by the year 2000 and I think it is an achievable goal. Reaching this objective is something that the private sector must do, of course. Transaction by transaction, joint venture by joint venture. Sale by sale.

But I believe that we in government can help, that we can be better and more effective partners than we have been in the past. The fact is that we have a plan. We have a strategy. We are implementing it and it is working. We want to do everything we can to make it work even better. It is working from NAFTA to APEC to implementation of the Uruguay Round. We are opening markets for American businesses and farmers and workers. And once we have opened those markets, we also have a plan to help take advantage of those new opportunities and their promise for job creation here in America.

In our 1993 TPCC report, we detailed over 60 action recommendations which, if taken, would constitute our Nation's first comprehensive export strategy. The report was deliberately called a year ago *Toward A National Export Strategy*. This report is entitled "National Export Strategy".¹ It is my pleasure to say that we have made considerable progress on virtually all of the recommendations and that now we have a National Export Strategy in place.

Since I testified before the committee a year ago, my colleagues on the Trade Promotion Coordinating Committee have relentlessly pursued efforts to expand the United States' presence in world

¹The report referred to is retained in the subcommittee file.

markets. Our major accomplishments can be categorized in five key areas which are at the heart of our export promotion efforts.

First, we are pursuing an aggressive advocacy strategy and I have given you some examples of that. Second, we have made major progress toward implementing the recommendations included in our 1993 report to eliminate unnecessary and ineffective export controls and streamline the licensing process. And I know that is something that the chairman has been very focused on and very concerned about. I sure hope we can get an Export Administration Act to move us even further toward our goal. Over the past year, though, the reforms that we have led have really resulted in reductions in the value of goods requiring prior export authorization by over \$32 million.

Third, under the leadership of Chairman Brody at the Eximbank, we have significantly upgraded our trade finance programs and improved cooperation among agencies. Fourth, much of our efforts over the past year have focused on helping small and medium-sized companies improve their export performance. For example, we are very proud of the network of export assistance centers we are establishing around the country. These centers are an effort to really collocate the commerce operation, the Eximbank operation, the SBA operation, and in some cases, for example, in California we have collocated with the State Export Assistance Agency to try to create one-stop-shopping for exporters and in these cases it is almost all small and medium-sized businesses. The big companies don't need that kind of hand-holding, for lack of a better word. They need advocacy when they are in competition, and we are going to provide that advocacy, but our focus has really been on the small and medium-sized businesses.

Fifth, over the past year, we have formulated a strategy to enhance the United States' share of the growing global market of environmental technologies. And that is expected to exceed \$400 billion by the end of the decade.

I might say, Mr. Chairman, I am sure all of us here remember the debate in America between those who were—who were articulating a position that was pro business and pro growth and those who were articulating a position which was pro environmental concerns. And we find that a decade later, we have created a whole new sector of the economy, which is employing tens of thousands of people.

Environmental technologies could well at some time in the future be America's biggest export. And I think it demonstrates what we can do by bringing some of these conflicting interests together and demonstrating that there doesn't have to be a conflict, there is something called sustainable development and there doesn't have to be this conflict between environmental stewardship, environmental concern and growth and job creation.

In addition, our report identifies some new directions. We have begun to help create even greater opportunities for American business, and let me just briefly cite a couple.

Perhaps the most promising opportunities for American firms in the next several decades can be found in the countries that we have designated our big, emerging markets. We think it is important, since obviously we have limited resources, since obviously we

are all concerned about deficit reduction to really try to target our resources most effectively. So we have done a lot of analysis. We think very thorough analysis, looking at the size of populations and market growth and trade barriers and when we have—where we have the greatest opportunity to compete successfully. And there are 10 countries. It is not an exhaustive list. We might well add some countries to it. And there are some countries in which we are actively involved in trade activities, like Russia and the Newly Independent States, that are a part of this list that we are actively involved in.

On the list are 10 countries, 4 happen to be in Asia: China, India, Indonesia, and South Korea. Our China includes what we call the Chinese economic area, which includes Hong Kong and Taiwan. There are three in Latin America, Mexico, Argentina, and Brazil, two in Europe, Turkey and Poland, and one in Africa, South Africa.

To give you a sense of the changes in the global marketplace, none of those 10 countries is a gigantic trading partner with the United States now. But if you take those 10 countries together, by the year 2000, we will have larger trade between the United States and those 10 countries than between either the United States and Japan or Europe today. And by the year 2010, we will have a bigger trade relationship with those 10 countries than Japan and Europe combined. That, in my judgment, Mr. Chairman, and members of the committee, that is part of our attempt to look beyond the horizon, so to speak, to see what the future holds and to target resources to those places where there is a real opportunity for economic growth.

Of course, we are not ignoring our traditional markets, markets like Canada and Japan and Europe that are obviously going to be crucial to our economy for many, many years to come. And I already mentioned we are working diligently in places like Russia and the Newly Independent States.

Finally, an important element of our report, which will be discussed in the weeks ahead by Alice Rivlin, is our effort to create a unified trade promotion budget. There is a lot of discussion about how our dollar is being used. Are they being used effectively? A lot of discussion about the breakdown between manufactured goods promotion and agricultural promotion, and we never have been in a position to really assess or evaluate that. So we have got a unified budget process.

When the President submits his fiscal year 1996 budget to the Congress, there will be a category so you can look at what is being spent on trade promotion. That gives us an opportunity to do some reallocation, to reassess our priorities, to see if we are getting the most bang for the buck. It also will permit comparisons of trade promotion spending across agencies, so-called crosscutting activities, and across geographic regions and across sectors and across firm size, whether it is—too much is going to be of assistance to big companies and not enough, for example, to small and medium-sized companies.

In sum, we told this committee last year that we were going to do something and we have done it. But it, too, like our step toward a unified budget, is just a beginning. And we acknowledge that. We

the Japanese, which you will note by the chart, I think it is the last graph in the book, we are not even close to them as far as expenditures per GDP for export or trade promotion. But I think we are making progress within—within our existing resources.

Our challenge for the coming years, as we broaden and deepen our export strategy, is to come up with a plan that will not just allow us to meet foreign competition but will allow us to leave that competition in the dust. That is our goal. We are going to pursue it with rigor and as much energy as we can muster. We are going to pursue it by trying to coordinate the efforts of the Federal Government and we are going to pursue it by working closely with you, Mr. Chairman, and members of your committee. Thank you very much.

Mr. GEJDENSON. Thank you.

[The prepared statement of Secretary Brown appears in the appendix.]

Mr. GEJDENSON. I think that it is not simply theoretical assistance that is being provided here. In a number of instances in my district, be it a large corporation like Pratt & Whitney trying to sell engines to *the Aleutian aircraft* so that jet engine manufacturers in this country have new markets for their product, or smaller companies who are about to be pushed aside by a large grant from the Japanese using this process, we are able to protect those contracts and American companies that should win, ended up winning but would have lost without the executive's assistance. So I just want to thank you for that.

I did notice you mentioned the Export Administration Act, and I think the administration has done an outstanding job in addressing the difficult issues involved in U.S. export controls. Clearly, we do have a lot more to do and I, like you, would have liked to have seen the Export Administration Act passed this year. But there are some in Congress who seem to oppose any kind of reform, regardless of whether it is crime or health care or export controls.

This committee, is united on export reform and we all hope to have an opportunity to carry it out in the next Congress. And I look forward to working with the administration.

The TPCC report states the administration's review of exports' unilateral controls in order to eliminate unnecessary ones. When can we expect to receive that? Any idea how far you are away from that?

Secretary BROWN. We are very close to it. I was talking to my colleagues this morning as a part of the preparation for our testimony. I would expect within the next couple of months, Mr. Chairman.

Mr. GEJDENSON. Will agriculture be included within the unified budget?

Secretary BROWN. Yes, it will. And as I indicated, Mr. Chairman, as part of our fiscal year 1996 budget submission, there will be a unified budget.

Mr. GEJDENSON. Have our efforts to reduce a lot of the tied aid worked? It is our understanding that competitors' tied aid offers have decreased during the past year.

Secretary BROWN. I believe it is working. The honest answer, Mr. Chairman, is it is probably too early to tell. As you know, we have

taken an aggressive approach there as well. Although philosophically we oppose tied aid. We think it is an unfair subsidy. The fact is we were—we were having our lunch eaten by our competitors because they were using, had no tied aid pool.

We have set up a modest tied aid pool so that in targeted instances where we see the use of tied aid by international competitors as giving them an unfair advantage, we now have the resources to use a small tied aid fund. Our hope is that that kind of aggressive action will reduce the use of tied aid by our competitors.

Mr. GEJDENSON. Something that is a challenge for America—may not be a challenge for other countries. If the Europeans are trying to sell engines, it is Rolls Royce and the Europeans get behind it. In this country we have Pratt Whitney, as well as that other guy, General Electric, who also happens to be home-based in Connecticut. How do you make those kinds of decisions?

Secretary BROWN. We don't. We pressure American companies. If there are several American companies competing, we talk about American companies. The only time we would name a company by name is if there is one American company competing against a foreign competitor and then we will go to bat for that company.

The Saudi deal is consistent with that approach. There were two companies, McDonnell Douglas and Boeing. We pressed hard for that business. It was \$6 billion worth of business. We estimate 100,000 jobs. It turns out that both McDonnell Douglas, which is California-based and Boeing, which is Washington-based, State-of-Washington based, but they both have subcontractors all over the country, both of them won a portion of that contract.

Mr. GEJDENSON. In the former Soviet Union, there's a lot of talk about opportunity, but a lot of businesses have gone in, and a number of businesses are having a hard time getting paid for what they have done.

Now, there are normal business disputes. We put those aside. But there are some cases where former Soviet Union countries are saying, yes, we owe you the money; we don't have any money and we are not paying you.

Is the administration looking at some kind of process to make sure that as we deal with larger international issues—oftentimes debt restructuring, what have you—that American companies aren't left behind?

Secretary BROWN. We are, Mr. Chairman. That is part of our advocacy effort. There have been too many instances, for lack of a better word. American companies have been stiffed and the U.S. Government ought to use all of its resources to push those countries to do the right thing by our companies. So we take those up on a case-by-case basis.

I think in many respects, we have been highly successful. I might add, Mr. Chairman, as well, probably something that I should have mentioned earlier that we are very proud of, we have set up an advocacy center within the Commerce Department where we are now tracking the hundred biggest projects around the globe with an eye toward making sure we get as much of that business as we can. We are coordinating that effort on an interagency basis.

toward making sure we get as much of that business as we can. We are coordinating that effort on an interagency basis.

We have people from Eximbank and SBA and AID, other agencies of the Federal Government working so that we don't miss anything, so nobody can say, gosh, we wish an American company that is big in the infrastructure area had only known about this project in Malaysia or Indonesia, wherever it is. We are actually tracking those in a war room, so to speak, to make sure that we stay abreast of all of the commercial opportunities that are available globally.

Mr. GEJDENSON. And just finally, is there a place in Commerce to which we can go when our constituents come back and say, we had this deal in the Ukraine and Russia and Kazakhstan or whatever and we are not getting paid?

Secretary BROWN. Yes. It is the U.S. Foreign and Commercial Service, which we have, I think, done a lot to augment. We have done a good deal of augmentation just in those areas of the world where there is the greatest problem.

In addition, we have been fortunate to use some USAID resources to open up American business centers, virtual homes away from home for American business people in places like that where there isn't a commercial environment that is comfortable for American business people.

Mr. GEJDENSON. Mr. Bereuter.

Mr. BEREUTER. Thank you, Mr. Chairman.

Mr. Secretary, thank you for your presentation, and I am looking forward to digesting the contents of the report.

I am going to throw you a question really out of the blue without any prearrangement, of course. I serve on the Intelligence Committee, and I have noted the change in priorities there under the previous administration, continuing under this administration, to be more concerned about our economic competitiveness and assuring that we don't get simply outflanked, that we are knowledgeable about competitors' offers. I don't expect you to be able to respond with any degree of specificity because this is an open hearing, but I would like to have you give me some sense to put on the record for my colleagues here and elsewhere, some sense of how important the intelligence community contribution is to our ability to compete with some of our major developed country competitors?

Secretary BROWN. I think I could best answer, Mr. Bereuter, by saying I spend a good deal of time with Director Woolsey and with Admiral McConnell, and I hope you glean from that that I think it is useful and I am pleased that there is interest in our commercial affairs.

Mr. BEREUTER. I think it is an appropriate step, and I think they have some very appropriate strictures on how that information can be transmitted, and your advocacy on behalf of American business generally, but not individual firms, is an important stricture that has been placed into the dictionary. I notice the chart on Page 106 which shows the export promotional budgets of the 14 different agencies and departments. And I know that it is a recommendation of the TPCC to move toward a unified export promotion budget.

I would like your thoughts about the importance of it. I would like to understand why that is important. I would like to under-

stand how it changes the relationships among the various agencies that have part of those export promotional activities. And if you have any thoughts about what the President's recent guarantee to the agriculture community in preparation for the GATT vote might do, since he is in effect making very significant promises on the area of agriculture, export promotions, if that has an effect upon the other promotional programs within the various 14 agencies.

Secretary BROWN. First let me say, as I am sure you know, these are the most difficult questions, the budget allocation questions, the priority questions. And I think we have got a process now and a vehicle for doing that that we have never had before. We have basically kind of put a funnel there that forces us to deal with those issues.

Several months ago, then-OMB Director Panetta and I, he in his role as OMB director, me in my role as the chairman of the TPCC, sent a letter to all of the agencies involved in the TPCC process requesting information that, frankly, had never been requested before that goes to how are those dollars being spent in your agencies? What is the effectiveness of it? What is the value added of it to get us toward this unified budget?

As to the letter from Alice Rivlin, and I guess it was Secretary Espy that dealt, as you know, with discretionary dollars only. As you know, under the GATT, a lot of the subsidies will be going down as barriers are lowered. So it could have some impact on our ability to have flexibility. But it certainly is not going to prohibit us from having that kind of flexibility in reallocation of resources.

Mr. BEREUTER. The Congress, of course, because of our budget law, is required to come up with additional savings to match the reduced tariffs. It is really a ridiculous decision on the part of the Congress. I think there is blame in many parts of the Congress for this because I am convinced that from day one, we will generate more corporate and individual income tax than we will lose in tariff, and so all of this cutting back on our export promotional programs is really a rather ridiculous, unnecessary exercise.

Secretary BROWN. Well, I couldn't agree with you more, Mr. Bereuter. It ties our hands in many respects. I think any economic analysis indicates that this treaty is going to create revenue. That as you increase trade because of lower tariff and nontariff barriers, you increase governmental revenue, and that is not taken into account in the way we proceed with our budgeting process.

Mr. BEREUTER. And I believe, I might say, just in concluding, it is true it is a positive feature for our country from day one with respect to agriculture, manufacturing, the service sector, the financial institution sector, any that I can imagine.

I thank you very much. I look forward to the continued advice and progress of the TPCC.

Secretary BROWN. Thank you, Mr. Bereuter.

Mr. GEJDENSON. The gentleman from Ohio.

Mr. FINGERHUT. Thank you, Mr. Chairman.

Mr. Secretary, first, let me just say that this has been throughout the course of your term in office, the administration's term in office, one of the brightest lights in this administration, this entire effort. I applaud the previous administration for initiating the idea of the Court Aid Council, but the manner in which you have picked

up this ball and run with it is really heartening. A number of us when we were outside the Federal Government but involved in State and local governments used to be frustrated by the lack of leadership on the part of the Federal Government to advocate for American business interests abroad.

We all knew what the markets were telling us that we had to do and you have really done it and I am very proud of it. I look forward to reading the entire report.

Let me ask you, though, because, as I indicated, a number of us watched this from the other side, from the city and State governments, there are—you are coordinating all the efforts of the various agencies of the Federal Government. There are, as you know, many States and local governments who are engaged in this process as well. My State, the State of Ohio, has a number of offices around the world. I just talked to our mutual friend, the mayor of Cleveland who is leaving for Taipei on a sister city mission. There are all sorts of those kinds of efforts, and, frankly, expenditures of funds going on.

My question is, are we coordinating also our efforts with the State and local governments who are trying, obviously, to promote their particular region?

Secretary BROWN. I think we are doing a better job but we have got a long way to go. As I indicated a few minutes ago, as we have chosen locations for our export assistance centers, we have tried as much as possible to collocate with the State export assistance operations which we just think makes—makes common sense. We—I just had the opportunity to meet with Mayor White about 10 days ago about not only his trip but the city of Cleveland's efforts to focus on export promotion for Cleveland-located industries. So we are doing a lot better job, I think, of reaching out to cities and counties and States. We still have a long way to go in that effort to coordinate a strategy.

Mr. FINGERHUT. My concern, of course, is that, frankly, as strapped as you are for funds given our budget rules, the depth of your pocket is significant compared to really the sort of drop in the water that cities and States spend. And it may well be that in the long run, they would be better off utilizing the services of our coordinated trade effort from the Federal Government rather than trying to independently fund and carry out offices around the world. I always felt that that was sort of an effort that was necessitated by the lack of a policy of the Federal Government. So I appreciate attention to that.

Secretary BROWN. I think you are right. There is also a lot of competition between and among States. You have seen a blossoming of State offices in various places that offer trade and export opportunities. It might well be that some of that is taking place because there had not been previous satisfaction with what we were doing at the Federal level.

Mr. FINGERHUT. Appreciate that. Let me ask just one other—actually two other questions related to a second subject.

Mr. Bereuter raised the question of intelligence and the chairman also raised the issue of the Export Administration Act. One of the reasons we know that we have not achieved that reauthorization is because of continuing disputes within the Congress over

the relative balance of our trade promotion versus our intelligence, defense concerns.

There is a project, I am sure with which you are familiar, the so-called eyeglass project which involves the sale of satellite technology, photographic technology to, in particular in this case, to Saudi Arabia, but in general the question of introducing sophisticated equipment of this nature into a volatile area of the world where we have interests on one side or another of a dispute.

My question is, what is the status of the eyeglass project? I understand your department is reviewing it and is going to be playing a role. What conversations such that you can reveal to us today, obviously within the boundaries of intelligence rules, have you been dealing with State or CIA or any of the other agencies?

Secretary BROWN. I would say, Congressman, it is still under review. Clearly, we deal with defense and State and NSA and other agencies, National Security Council. We are very cognizant of our responsibility in the area of nonproliferation and arms control. We are very cognizant of our responsibilities as far as national security generally.

I guess my own judgment—and I think the judgment of those who have supported the reauthorization of the Export Administration Act, much of the work, all of the initial work that was done in the chairman subcommittee, I think agree with the general policy that if we can walk out of this building and go down to Radio Shack and buy something off the shelf, we shouldn't be restricting an American manufacturer's ability to sell that product. That if we really are concerned about national security matters, the best way we demonstrate that concern is not to dissipate our efforts, regulating and licensing either technologies or restricting shipment to points of destination that pose no national security risk. Obviously, there is some that do pose a risk and we have to balance those interests in those cases, and that is exactly what we are doing in this regard.

Mr. FINGERHUT. As someone who supported this committee's version of the EAA and the chairman's efforts, I agree with you. The concern of course is this particular project, some information that is circulating indicates that it is into a new technology that is not available over-the-counter at Radio Shack but rather has some more significant implications for defense matters in that region of the world.

On a slightly happier note but in the same region of the world, you are the Chairman of the U.S. Israeli Science and Technology Commission. Again, an effort that you had initiated and for which you deserve great praise. The question is where are we on that? The United States, as I understand it, committed \$15 million for this year but I don't think we have written the check yet. Are we moving forward? Are we ready to start seeing some results of this effort?

Secretary BROWN. We are. We are working very closely with the Israelis. My counterpart in Israel and I are in close communication, contact. Our Under Secretary for Technology, Mary Good, has been very involved. It is something that Prime Minister Rabin and President Clinton have talked extensively about. There is a lot of enthusiasm on both sides.

And if you look at the makeup, Congressman Fingerhut, of the representation, both from the Israelis and the United States, you have to be impressed with the level of technical expertise. I think what we are trying to do is several fold: One, we want to really move to commercializing technology, to transferring technology, to assuring that we create profits and jobs from technology. It is wonderful to have Nobel prize winners and we have had more than our share of those. But I think what we need to do is turn our technological advantage into economic progress and economic growth.

The second is the whole defense conversion area, which is very important. And as we have had defense downsizing here, we need to be concerned about the workers' affected, the geographic areas of the country affected and how we can have defense conversion efforts that make sense, and as peace comes to the Middle East, I would suspect that there would be much to be shared with the Israelis about how they do the same. So it is very much in motion and I think there is a good deal of momentum there.

Mr. FINGERHUT. Thank you, Mr. Chairman, Mr. Secretary.

Mr. GEJDENSON. The gentleman from California.

Mr. ROHRBACHER. Mr. Secretary, I would like to compliment you on the hard work that you put in and all the progress you have made toward achieving the goals of the administration under—sometimes under great pressure, not the least of the pressure that I have created for you at times. But I appreciate the fact that you have moved forward these last 2 years to try to do the things you set out to do and have been diligent in overseeing your responsibilities.

One of the things you just mentioned was about technology and about the importance of technology. And I have an area which you may or may not be aware of concern dealing with what was included in the GATT implementation legislation concerning America's technological lead. And my reading of the GATT treaty does not say that we are mandated by the GATT treaty to decrease the number of years of patent protection now enjoyed by American citizens. And instead,—well, even though that is not mandated, the GATT implementation legislation that is before Congress today contains a clause that dramatic—that every inventors' organization in the country says will dramatically reduce the length of their patent term protection. Why did this administration do that?

Secretary BROWN. Well, as you know, Congressman, the TPCC did not address that and I would really defer the detail of it to my colleague, Mickey Kantor. But I might try to just comment on a couple of aspects of it that I am familiar with.

First, I think we know that most patents are issued within a 2-year period. Secondly, that the GATT package on IPR as a whole, we think, is excellent. It provides support for the software industry, just to name one. Patent term running from filing will eliminate so-called submarine patents which we think is a positive thing. A provision has been added to extend a patent term for 5 years if issuance is held up by a legislative or administrative delay. So that is another factor which I think provides some leavening for the concerns you expressed.

Mr. ROHRBACHER. Just to note, and I don't want to sound harsh. It is not harsh on you. It is harsh on the administration.

The spokesman for the administrate has been proclaiming, as you were just handed the note to indicate, that most patents are issued within 2 years. Having been a former journalist—I use the word “lie” and not meaning you or saying something that is not truthful intentionally but that people in your administration are doing so.

Most patents are issued in 2 years, but the stripe on the bottom of the tooth paste tube is not—is inconsequential and those are the type of patents that go through immediately. But every inventors’ organization in this country, I repeat, suggests that meaningful patents, meaningful inventions will find that their patent protection by the provisions put in the GATT bill will be dramatically reduced, that has dramatically reduced patent protections even though it is not mandated by GATT. And I—this isn’t your area. It is Mickey Kantor’s area.

I just would like to register my protest on the record for you and for this hearing that this type of outrage is going on. I believe in the long run, many of the good things that you have outlined today will be undermined if indeed foreign companies are permitted to use American technology without having to pay royalties for as long a period as they have to pay today to American inventors. This—and let me repeat, was put into the GATT implementation legislation without being required by GATT. Somebody put it in there. It will in the end have a dramatic impact on what you are trying to do today.

One other subject which might be in your area. I will—I will refrain from—and not give into the temptation of asking you about Vietnam and all of this other stuff that we got into last year. But I would like to ask you in terms about Vietnam, what the U.S. Government today is saying about Vietnam and China is that if we have more trade with these countries, which are run by totalitarian governments, that there is more likely to have some sort of evolution toward democracy and that this is basically the argument being used for opening up, expanding the relationship between our countries.

Why is it that when it comes to Haiti that we end up invading a country and sending the thousands of American troops when it is a dictatorship, versus in Vietnam and China where we send in our businessmen and ask for better economic ties?

Secretary BROWN. Well, I think, Congressman, obviously they are different situations and we have to look at them as different situations.

It seems to me that the President’s decision, for example, on extension of MFN status to China and delinkage between trade and human rights was the right decision for the very reason that your question implies. Our judgment was, and is, that we have a much better chance of having an impact on things like human rights in China if we are commercially engaged than we would if we were commercially disengaged, if we just withdrew.

Mr. ROHRABACHER. What about the dichotomy between Haiti and that?

Secretary BROWN. I am not sure there is a dichotomy. I think in Haiti we had a very peculiar situation. We had a democratically elected President who was ousted by a coup in our hemisphere. The President’s judgment and I think a judgment that has been fairly

much supported by the events so far—we hope they continue on the path that they are on—was really to restore democracy to a country that was taking its first major steps toward it. It does not, I don't think, speak against commercial engagement and focusing on economic development.

I think we all know that that—what that country needs is economic opportunity and I would expect that as soon as this phase comes to an end, as soon as democracy is restored that we will be focusing on commercial engagement and economic development.

Mr. ROHRABACHER. One last thought and then I thank you, the chairman, for indulging me, this length of time.

I believe in international trade and I am a free trader. I supported your efforts in NAFTA and applaud the good work that you did in NAFTA and I happen to believe that. I am opposed to GATT because of these provisions that shorten the period of patent protection. I think so at the expense of American people, et cetera.

But I am a little bit concerned—not a little bit. I am a lot concerned by this administration and Republicans, I might add, who have joined this administration in believing that human rights and basically our political ideals should play no role in the commercial ties that we have with other countries. I think that, you know, supporting our businessmen going into dictatorial—making deals with dictatorial regimes is very short-sighted. I do not believe that more trade with Adolf Hitler or more trade with any other despot is going to make the despotic regime more—more apt to become a democratic government. And I am very concerned about this.

The delinking of human rights concerns with Most-Favored-Nation status in China, I believe, was an historic setback for the human rights movement on this planet. And I would hope—I have not seen the actions by this administration, whether it in Vietnam or in China, where they said, well, we are going to delink this, this issue, but we are going to do our best on the other side to try to promote democracy. I haven't seen so much as in the case of Vietnam a demand that they release their political prisoners. I am very concerned about that.

Secretary BROWN. If I might respond. I certainly respect your point of view. I happen to disagree with your characterization of our policy. Our policy was moving to the next step, and let me deal with China, if I might, first.

Our judgment was that if we were really interested, which we are, about human rights in China, we had to make a decision on how best to achieve that goal. Some argue that you achieve that goal through withdrawal, through disengagement. Our judgment was that we have a much better chance of implanting American ideals and values in China by being engaged, by having American business and industry on the ground there, hopefully exercising so-called best business practices, setting an example. And I think history demonstrates that it is not unusual for progress toward democracy, attention to human rights, attention to environmental stewardship being directly related to economic development and economic opportunity and economic growth. It seems to me that that is a path that is worth pursuing.

I am not arguing that you can translate the exact same thinking to every single place in the world. But I am saying that certainly

in the case of China, it was, in our judgment, the right policy and I think it will be proven to be right.

I think what demonstrates that was during my mission, which was clearly a commercial mission—I am the Secretary of Commerce—we pressed very hard on human rights issues, but we did it not in a loud, bellicose way, getting off the plane, condemning the Chinese publicly. But when I met with Premiere Le Peng, when I met with President Jiang Zemin, that was number one on the agenda and I think we saw the results. Twenty minutes after I left the meeting with the President of China, there was an announcement by the Chinese that they were going to resume the human rights dialogue.

Now, that is not the end of the problem, to be sure. But they had been unwilling to even engage in dialogue before that effort. And I think it is important for the Secretary of Commerce, who obviously is perceived to be wearing an economic development business development hat, to raise those issues and to raise them frontally so that there will be no mistake about the administration's position on or concern about those issues.

I think the only question is what strategy do you employ to get there. There might be some disagreement on that strategy, but I assure you that the strategy is developed in good faith and it is developed with a real commitment to try to have some impact on the issues that you just expressed concern about.

Mr. GEJDENSON. Mr. Roth.

Mr. ROTH. Thank you, Mr. Secretary. I have two questions. One is dealing with the Export Administration Act. I thought we had crafted a pretty good bill here in the Export Administration Act.

Secretary BROWN. Me, too.

Mr. ROTH. You did, too. Great. We worked with you and your staff. We ran into this bureaucratic roadblock. And what is frustrating, it almost seems like when we get our work done here, we almost have to go to the President and have the President then work it out with the agencies.

Can you give us a little help? What should we be doing or how can we get around this logjam? If I were taking some notes from you, what would we have to do?

Secretary BROWN. I think we are around it and that we were around it. And again, this is not a time to be assessing blame. But I thought we were on track. I thought I had agreement with my companion agencies in the administration. We were working with Chairman Gejdenson and others until another committee of the Congress took another view. And then obviously there was some dialogue based on that view between that committee and the department, the administration that they oversee. And although Secretary Perry and I seemed to be in agreement, there were then some at other levels, both committee level and in the administration, who took a different view.

I think we have got to work together. I think the executive branch and the Congress have to try to work our way through this and to make sure that we are sending a consistent signal.

I am absolutely committed to working closely with this committee and others in the Congress to getting reauthorization of the Export Administration Act. It is terribly important to our economic fu-

ture. It gets us in touch with this post cold war era in which we now live. And I hesitate to get into the what-happened-when rather than looking to the future to trying to get the momentum going again.

Mr. ROTH. We have a 1-year extension of course of EAA. That means when we come back, we have got to go over these hurdles again. I—what are you saying basically—if I understand you correctly, Mr. Secretary, are you saying you are going to be personally involved?

Secretary BROWN. Yes.

Mr. ROTH. You are.

Secretary BROWN. I will be personally involved, yes.

Mr. ROTH. Well, if that is the case, then I think we should be able to pass it before September of next year. What do you think?

Secretary BROWN. I was hopeful that we would get it done this year but we are going to do everything that we can to get it done next year and I will be personally involved in those efforts.

Mr. ROTH. Do you see the EAA that we passed next year pretty much as a case—as it was crafted this year?

Secretary BROWN. Well, if you mean crafted by this subcommittee, that is the way I would like to see it.

Mr. ROTH. OK. Thank you.

One other question. That is, I have an export seminar every year in Wisconsin. You were kind enough to address those people, and I want to again say thank you very much. We had something like 1,000 exporters there in the Great Lakes States, which I think was quite impressive. You did a super job. That is no false political flattery. You did a terrific job and I appreciate it.

Secretary BROWN. Thank you, Congressman.

Mr. ROTH. How can we get the small—these are the smaller companies, get more involved, whether it is South Africa, Poland, or Indonesia? How can we get these companies which want to get involved more, how can we give them—how can we help them get involved is I guess what I am asking, really?

Secretary BROWN. I think we have got to improve the work of our U.S. Foreign and Commercial Service. I think there have been very significant strides in that regard. I think we need to change the way we think about export promotion. To oversimplify, I think the American attitude would be an American widget maker would get on a plane and fly into Poland and come into the USCF office in the U.S. Embassy and say, I have got widgets to sell; can you help me find somebody to buy them? That is not a very effective way to operate.

What we are trying to do now is identify some who want to buy widgets and communicating with American firms through our data bank about those opportunities so that you can do some match-making, both from incountry and from overseas. And we think that that is going to be an effective approach.

Our new structure for export assistance centers, I think, will help. Because we have tried to do a thorough analysis of where there is real opportunity to increase the involvement of small and medium-sized businesses in moving them from being export ready to being exporters, so to speak. And we have got a whole new series of so-called hub and spoke series with 15 regional export assistance

offices. Four of them have been opened already and another 33 so-called spokes. But all geared to geographic areas where there is that kind of opportunity. So we are working hard at it.

And you are absolutely right, our focus needs to be on small and medium-sized businesses. The big companies don't really need that kind of service. They need strong and effective advocacy when they are in competition for these gigantic billion-dollar projects. But the real hand-holding, work with SBA and Eximbank and OPIC and TDA really needs to be focused on our small and medium-sized companies.

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

Mr. GEJDENSON. Mr. Ballenger.

Mr. BALLENGER. Thank you, Mr. Chairman.

I wonder how you get into that bank that you are speaking of, the computer bank that has the companies that might be interested in becoming involved in export-import business and so forth?

Secretary BROWN. We have a toll-free number. I don't know it off the top of my head but I can get it for you where we have an information center, so to speak, that directs potential exporters, gets them into the proper chain within the department. It is 1-800-USA-TRADE. I should have remembered that.

Mr. BALLENGER. Just—I am self-serving here is the reason I was asking. First of all, let me say, believe it or not, I had several of my textile folks down in North Carolina come and apologize to me for their stance on NAFTA and the fact that they all started shipping rather substantially because of NAFTA and I would like to thank—well, thank you, the administration, everybody in Congress, for getting it passed. And obviously I didn't—there is a young man—an old man in Spartanburg, South Carolina, I didn't get to. And I was—you know this, is an excellent book here.

Secretary BROWN. Thank you.

Mr. BALLENGER. I don't know whether you would want to send it under your name or my name, but I would love to have you send it to Roger Milliken in Spartanburg, Pat Choate, Ross Perot, Pat Buchanan, Chuck Carter, and Rush Limbaugh, if you would.

Secretary BROWN. I hope they all read it, Congressman.

Mr. BALLENGER. They are not the type that are going to go out and look for it, is what I was thinking. If it all of a sudden popped up in their mail, they might look at it.

Secretary BROWN. We might have a better chance if we send it under joint signature, yours and mine.

Mr. BALLENGER. I do think it is well worth trying to get people to understand better that exporting is the future and we have got to take care of it. And some of my nutty friends just would rather beat up on somebody than try to admit it.

Thank you, Mr. Chairman.

Secretary BROWN. Congressman Ballenger, I might say we sponsored at the Commerce Department last week a textile industry seminar, roundtable, we called it. And we had Roger Milliken was not one of the participants. He didn't come. We had most of the other senior executives from the textile industry really trying to work with them on these global trade issues.

Mr. BALLENGER. Well, I would like to say that I thank you for the effort that the administration did with GATT. The textile peo-

ple have told me that I am free to vote my conscience rather than trying to defend an industry, and I appreciate what you all did there.

Secretary BROWN. Thank you, Congressman.

Mr. GEJDENSON. Mrs. Meyers.

Mrs. MEYERS. Thank you, Mr. Chairman.

What is the status of transfer of authority for financing small business exports from the Eximbank to the Small Business Administration? And how much additional training will Small Business Administration employees require in order for them to effectively implement this policy?

Secretary BROWN. A lot more, Congresswoman Meyers. I just left some testimony on the Senate side where we had representatives of SBA talking about their focus on training. That training is going to be essential to their effectiveness. I think the change is good, though, in that SBA obviously has more experience dealing with small businesses than any other agency in the Federal Government and getting that kind of focus is important. But the training is absolutely essential to success.

Mrs. MEYERS. And so it is now just now in the process—

Secretary BROWN. It is ongoing.

Mrs. MEYERS. Or beginning training or where are we?

Secretary BROWN. I don't know how long it has been going on. I know it is taking place now. It is not something that is about to start. Training is going on right now.

Mrs. MEYERS. I commend you on the idea of the country commercial ties to introduce American companies to the essential aspects of doing business in a specific country, and that is on Page 50 in your report.

Are the guides now available to businesses, and how many countries are being covered? When will they be available, if they are not available now?

Secretary BROWN. They are available. I can't provide an answer as to exactly how many countries. I know we are working through the process. I know we have given a lot of emphasis to—the former Soviet Union, the Newly Independent States, both in terms of telephone contact and data bank contact, but also in terms of publications, but I would certainly be pleased to provide you with the number of countries for which that work has been completed.

Mrs. MEYERS. I thank you very much.

[The information was not available before the hearing was published.]

Mrs. MEYERS. I had a third question, Mr. Chairman, but I think it has already been answered by one of yours, so thank you very much.

Secretary BROWN. Thank you, Congresswoman.

Mr. GEJDENSON. Ms. McKinney.

Ms. MCKINNEY. Thank you, Mr. Chairman.

Mr. Secretary, I would just like to say thank you to you and to your staff as well for the responsiveness that your office has shown to us as we have tried to assist our constituents in the 11th District and for what you are doing and have done for our residents in Georgia, as well.

you. I have got four questions that I would not ask you to respond to but I would like to submit them to your office.

Secretary BROWN. Absolutely.

Ms. MCKINNEY. One is on the Caribbean parity position; one is on the question of Cuba, which I always manage to ask you about, and conventional arms sales as well. So I will submit those questions to your office.

Secretary BROWN. Thank you, Congresswoman McKinney. We will be pleased to respond expeditiously to those questions.

Ms. MCKINNEY. Thank you.

[The information appears in the appendix.]

Mr. GEJDENSON. Thank you, Mr. Secretary. I think you get a sense on both sides of the aisle here that our work is respected and that this is a committee that wants to work with you. We thank you for taking the time to come see us.

Secretary BROWN. Thank you very much, Mr. Chairman, Mr. Roth, Ms. McKinney.

Mr. GEJDENSON. The committee will be adjourned for the week. Thank you.

[Whereupon, at 2:52 p.m., the subcommittee was adjourned.]

APPENDIX

PREPARED STATEMENT OF THE HONORABLE SAM GEJDENSON

I am delighted that Secretary Brown could be with us today to discuss the second annual report of the Trade Promotion Coordinating Committee: the National Export Strategy.

This has been a phenomenal year for export promotion. I commend all the agencies and departments that make up the Trade Promotion Coordinating Committee for their contributions to this report. I want to single out a few individuals, however, for their outstanding work for the past 2 years.

First Secretary Brown, with arguably the greatest number of mandates within the Executive branch, took the time to focus his department on the importance of this report—the result has been nothing less than a working agenda for change.

Three other individuals with whom I have had the pleasure to work with deserve to be mentioned: Ken Brody at the Export Import Bank of the United States, Joe Grandmaison of the Trade and Development Agency and Ruth Harkin with the Overseas Private Investment Corporation. All of these individuals have made significant changes within their respective agencies to improve this nation's competitiveness.

Before I hear from the Secretary, I would like to say a word about this report. This is a thorough report. Not only did the T.P.C.C. address what we are doing well, but it also highlighted areas where more work is needed. If my colleagues do not have the time to read all 150 pages, please read the introductions and the executive summary. It provides a comprehensive list of our trade accomplishments over the last 2 years—enormous achievements for an administration that is just 2 years old.

TESTIMONY OF

SECRETARY RON BROWN

ON THE

TPCC REPORT

BEFORE THE

HOUSE FOREIGN AFFAIRS COMMITTEE,

SUBCOMMITTEE ON ECONOMIC POLICY, TRADE

AND ENVIRONMENT

OCTOBER 5, 1994

Introduction

Mr. Chairman and distinguished Members of the House Foreign Affairs Committee, Subcommittee on Economic Policy, Trade, and the Environment. It is my pleasure to appear before you this afternoon to present to the Congress the Second Annual Report of the Trade Promotion Coordinating Committee. I would like to thank Chairman Gejdenson for your strong support for our efforts over the last year and for your continuing advice and counsel.

I would also like to express my deep appreciation for the tremendous cooperation we have received from other agencies. At the core of our interagency efforts and accomplishments have been the special relationship the Department of Commerce and I have built with Kenneth Brody, Chairman of the Export-Import Bank; Ruth Harkin, President of the Overseas Private Investment Corporation; Erskine Bowles, Administrator of the Small Business Administration; and Joe Grandmaison, Director of the Trade and Development Agency. We have also received extensive support from the Office of Management and Budget, the National Security Council, the National Economic Council, the Environmental Protection Agency, and a large number of Cabinet agencies, including the Departments of State, Treasury, Energy, Defense and Agriculture.

Last year I went to great lengths to describe the importance of exports to the American economy and to job creation. At that time I set a goal of increasing U.S. exports of goods and services to over \$1 trillion by the turn of the century, supporting over 6 million new jobs. The message and the goal are more important as every day goes by. Between 1986 and 1993, for example, nearly 40 percent of the growth of the Nation's Gross Domestic Product resulted from U.S. exports of goods and services. Between 1986 and 1992 (the most recent year for which data are available), the number of jobs associated with exports rose from 6.7 million to over 10 million. Moreover, jobs supported by goods exports paid 13 percent more than the average wage.

U.S. sales abroad have continued to grow — running at an annual rate of \$685 billion in the second quarter, up 7 percent from the same period of 1993, despite recessions in our traditional markets in Europe and Japan. With NAFTA in place, exports to Canada and Mexico boomed, as they did to East Asia and to South America. In addition, with economic growth expanding in the advanced industrialized economies, we can look forward to a stronger export performance for 1995 and beyond -- to the point that I believe that we can raise our objective from \$1 trillion in U.S. exports by the year 2000 to an even more ambitious objective of \$1.2 trillion in U.S. exports by the year 2000.

But competition in the global marketplace is fierce and we cannot be complacent if we are to meet our objective. Japanese companies are moving aggressively into continental Asia, the world's most dynamic and fastest growing region. Germany, France, and the United Kingdom are mounting renewed export offensives. Countries from Brazil to South Korea and Taiwan are entering the world market as never before. However, Americans have never shied away from competition. American firms have the products, the technology, the quality, and the on-time delivery to compete. We need to make sure they have the opportunity to do so.

Reaching \$1.2 trillion in U.S. exports by the year 2000 is not something government can do -- it must be done by the private sector, transaction by transaction, sale by sale. But we can help. And that is what I want to talk to you about this afternoon. The Clinton Administration has a plan -- from NAFTA to APEC to implementation of the Uruguay Round -- that will open markets for our businesses, farmers and workers. And once we have opened those markets, we also have a plan to help take advantage of those foreign opportunities -- and their promise of job creation.

The National Export Strategy is a critical component of our action recommendations which, if taken, would constitute our

nation's first comprehensive export strategy. The report was deliberately called, "Toward A National Export Strategy" (italics added). It is my pleasure to say that we have made considerable progress on virtually all of the recommendations. That is what I want to report on today, by highlighting what we have done and some of the firms we have helped along the way.

Let me put it this way, Mr. Chairman: We have a strategy and it is working.

Since I testified before this Committee one year ago, my colleagues and I on the Trade Promotion Coordinating Committee have relentlessly pursued efforts to expand the U.S. presence in world markets. Today I would like to discuss some of our major accomplishments this year and outline some directions that we will pursue in the coming year. My testimony will not cover everything that we have accomplished or plan to do as set forth in our report. Rather I will touch upon the highlights and request that the Executive Summary of the Report be included as part of the record of this hearing.

Major Accomplishments in 1993

Our major accomplishments can be categorized into five key themes which are at the heart of our export promotion efforts:

(1) Supporting U.S. Bidders in Global Competitions

Recognizing the fierce competition for procurements by foreign countries, the Administration has over the past year launched an aggressive advocacy strategy to support U.S. firms. While the actual competitions have been fought and won by our private sector, government support — whether through visits and letters from senior officials or financing packages designed to meet those offered by competitor nations — has helped American firms win over 70 major projects during the past year accounting for well over \$17 billion in U.S. exports and 275,000 jobs.

For example, our efforts to help a Raytheon-led consortium secure a \$1.5 billion contract to build an Amazon environmental surveillance and air traffic control system (SIVAM) are illustrative of the kind of full-court press the Administration intends to provide to U.S. bidders competing for major foreign procurements. This contract will support thousands of high-quality jobs here in the United States, while at the same time help Brazil protect its environment, combat drug trafficking, and improve population and public health controls.

Facing stiff competition from a European group of companies, the U.S. consortium won the deal in part through the personal intervention of President Clinton, Ex-Im Bank Chairman Brody, EPA Administrator Carol Browner, FAA Administrator Hinson, TDA

Director Grandmaison, and several other senior Administration officials. I personally advocated on behalf of the U.S. consortium when I met with key Brazilian decision-makers during my Latin America trip in June, as did Under Secretary Garten when he visited Brazil in March. An extraordinary effort by Ken Brody and his team to put together a competitive financing package as well as intensive follow-up by our embassy personnel in Brazil also played an important role in the selection of the U.S. bidder. Our new interagency Advocacy Coordinating Network and Advocacy Center, which we created over the last year, were instrumental in ensuring that the full resources of the U.S. government were utilized.

U.S. government advocacy also yielded results in a number of other global competitions including a million dollar contract for an environmental technologies company that will assist Taiwan with developing a country-wide Coastal Zone Master Plan.

(2) Eliminating Unnecessary Export Controls

We have made major progress implementing the recommendations included in our 1993 Report to eliminate unnecessary and ineffective export controls and streamline the licensing process. At the same time, we are strengthening the implementation and enforcement of those controls which are still required to combat the proliferation of weapons of mass destruction and protect

other U.S. national security and foreign policy interests. Over the past year, these reforms have led to a reduction in the value of goods requiring prior export authorization by over \$32 billion.

The impact of these reforms on the bottom line of American firms should not be underestimated. For example, Silicon Graphics, based in Mountain View, California, has experienced tremendous growth this year -- due primarily to recent changes to U.S. export control regulations. Before the liberalization of export controls that began in 1993, its licensing lead time averaged 150 days. By March 1994, its lead time averaged 100; and by June 1994, export licensing took only a few weeks. This rapid decrease in licensing lead time has enabled Silicon Graphics to double its volume shipped.

(3) Improving Trade Finance

Under the leadership of Chairman Brody, we have significantly upgraded our trade finance programs and improved cooperation among agencies. Key elements of our new, forward-looking strategy to help American firms finance their exports include:

- Establishing a Tied Aid Capital Projects Fund at Ex-Im Bank to counter and eventually eliminate the use of foreign tied aid credits. Over the past year, the Bank has acted to

match foreign credit offers on projects worth over \$500 million in U.S. exports.

- Improving our cooperation with state and local entities to increase the access of businesses to trade finance through vehicles such as Ex-Im Bank's City/State Program and SBA's co-guarantee arrangement with the State of California.
- Developing new partnerships with the private sector, including the Lender Education Program put together by Ex-Im Bank and SBA and Ex-Im Bank's efforts in conjunction with the Private Export Funding Corporation to create a secondary market to facilitate additional export loans.
- Taking steps -- from creating an information center at the Commerce Department to hosting seminars nationwide -- to assist American firms bidding on projects funded through the multilateral development banks.

(4) Helping Small- and Medium-Sized Businesses

Much of our efforts over the past year have focused on helping small- and medium-sized companies -- an under-represented group in the American exporting community -- improve their export performance. These efforts include:

- Improvements to the trade finance support available to small business by harmonizing our working capital programs and raising the limits on key Ex-Im Bank insurance policies from \$2 to \$3 million;
- New Export Assistance Centers to provide services under one roof for small businesses seeking Federal export information and financing assistance;
- Enhanced programs aimed at small business exporters in the agricultural and minority business communities;
- Upgrades to our Trade Information Center (1-800-USA-TRADE) and a new publicity campaign;
- Expanded dissemination of valuable commercial information gathered by the U.S. government;
- Implementation of new programs — Destination ASEAN and Export Mexico — to alert small business exporters to the opportunities in these growth markets; and
- New strategic commercial plans for our embassies, enhanced training for our overseas staff, and initial steps toward the creation of an integrated global export assistance network at the Commerce Department.

Let me for the record elaborate on just a few of these programs and the companies that they have helped.

Export Assistance Centers: Perhaps the program that we are most proud of is the network of Export Assistance Centers we are establishing around the country. These centers, staffed by personnel from Commerce, Ex-Im Bank, SBA, and (in one location) AID, provide comprehensive export finance and marketing assistance under one roof to small- and medium-sized companies. To date, we have opened four centers -- in Miami, Chicago, Baltimore, and Long Beach -- and we plan to open 11 more during 1995. Moreover, we plan to restructure our domestic network in Commerce to complement these centers and provide better access to the American business community.

Our Baltimore center, open only a few months, has already produced tangible results. For example, Micros Systems, a manufacturer of point-of-sales information systems based in Beltsville, Maryland, received trade finance guidance and promotional assistance from center staff. With such help, Micros has been able to expand its export business and hire six new workers.

Similarly, Aquathin Corp., a maker of water purification products in Pompano Beach, Florida, reports similar success following its contact with the Miami Export Assistance Center. In fact, the

company's founder expects increased exports as a result of his visit to the center which should result in the hiring of four to five new workers in the next two years -- a 30 percent increase in the company's highly technical workforce.

The Trade Information Center (TIC): Another step we have taken over the past year to help small- and medium-sized business is to upgrade the Trade Information Center. The TIC, created in 1991, is a nation-wide toll-free hotline (1-800-USA-TRADE) that caters to small- and medium-sized companies by providing easy, cost-free access to information on government-wide export assistance programs. Since its inception, the number of businesses the TIC assists each week has grown from 200 to 1200. This increase is due, in part, to a number of improvements we have made in the last year. Since September 1993, we have upgraded the TIC's computers systems to disseminate information more efficiently to customers, linked the TIC electronically to other federal agencies, and launched a publicity campaign.

JNS Foods, a Florida-based wholesale broker of packaged food products, exemplifies the enormous impact that a single phone call to the TIC can have on a company's export success. The TIC advised JNS on finding trade leads, market research reports, and services available at our overseas embassies. As a direct result of information provided by the TIC, JNS Foods exported approximately \$500,000 in food products last year; the exports

accounted for 80 percent of the company's business. Because of an ever-increasing export base, the company is now projecting sales of up to \$2 million for this year.

Export Mexico: In the summer of 1993 I announced the creation of our "Export Mexico" program, an interagency effort to focus the Administration's export promotion arsenal on our fastest growing export market. In our First Annual Report to Congress, we outlined the program's basic features which include: seminars, matchmaker trade missions, trade finance support, counseling, and commercial information dissemination. Since then, the program has produced a significant number of export success stories for small U.S. companies.

For example, with help from various federal agencies and our embassy in Mexico City, Applied Geographics, Inc., a small Boston-based company, secured a \$500,000 contract to create a digital database for a portion of the water and sewer system in Mexico City. According to the company's President, "It is impossible to estimate the importance of Federal assistance when dealing abroad...For small businesses like AGI, the Trade Promotion Coordinating Committee's programs provide such support which gives us a level of credibility that we could not develop on our own."

(5) Promoting U.S. Exports of Environmental Technologies and Services

Over the past year, we have formulated a strategy to enhance the U.S. share of this growing global market, which is expected to exceed \$400 billion by the end of the decade. The elements of this strategy include: improving cooperation between the U.S. government and business; strengthening technology development and commercialization abilities of the domestic industry; helping U.S. business succeed in the most important markets of today, while preparing to develop the large markets of the future; and coordinating U.S. government export programs and resources. This strategy has already yielded results.

For example, the U.S. geothermal companies, California Energy Company, Inc., and Ormat Inc., recently completed a financing package with the assistance of Ex-Im Bank and OPIC to build and operate a geothermal energy power plant in the Philippines. This \$225 million project is, according to the CEO of California Energy, "a true example of public agencies assisting and supporting companies overseas to increase U.S. exports... This has been a "win-win" project for both countries and their people. The Philippines receives reliable, clean electricity, and the United States receives jobs."

U.S. Government support also played an important role in helping Metalclad Corporation of California win a permit to build and operate Mexico's first integrated hazardous waste treatment plant. The value of this investment is \$15 million. The U.S. embassy in Mexico, the Environmental Protection Agency and the Commerce Department provided extensive business counseling and advocacy on behalf of this firm to obtain the permit. Loans from Ex-Im Bank also made this deal possible.

Our Second Annual Report to the Congress, which I submit to you today, reviews these accomplishments as well as many more steps we have taken over the past year to implement the 65 recommendations we presented to you last September. A report on the implementation of each of these recommendations is provided in a matrix, included as an appendix to our report.

Focusing on New Opportunities

In addition, our report identifies some new directions we have begun to help create even greater opportunities for American business. Again, the details are in the report, and I would like to simply touch upon a few highlights here.

(1) Big Emerging Markets

Perhaps the most promising opportunities for U.S. firms in the next several decades can be found in the Big Emerging Markets (BEMs) -- 10 markets which are expected to account for over 40 percent of total global imports (excluding intra-EU trade) over the next 20 years. The BEMs are: Mexico, Argentina, Brazil, the Chinese Economic Area, India, Indonesia, South Korea, Poland, Turkey, and South Africa. Our report documents the prospects for future growth in these countries and the steps we are taking to help American firms take advantage of this growth.

Because the BEMs hold such promise for future U.S. export growth, we are developing a long-term export strategy for each BEM, and an interagency team to manage it. Pending approval of funding and overseas staffing, Commerce hopes to build a special "U.S. Commercial Center" in each BEM to help U.S. exporters gain easy access to the full array of government export promotion and finance services. We are developing special bilateral forums, such as the U.S.-China Joint Commission on Commerce and Trade, through which we hope to promote commercial cooperation.

Travel by Cabinet and sub-Cabinet officials to the BEMs to develop stronger commercial ties with these countries and emphasize U.S. export sales also figures prominently in our strategy. Recent trips by Cabinet officials to the BEMs have

yielded some impressive results for American firms. For example, during a Presidential Business Development Mission that I led to China in August 1994 with a delegation comprised of 24 CEOs and senior officials from the State Department, Ex-Im Bank, and the White House, we presided over \$6 billion of business deals in such sectors as telecommunications and power generation.

Altogether the group pressed for over \$25 billion worth of projects, many of which are expected to come to fruition in the months and years ahead. A trade mission led by Secretary O'Leary to India in July 1994 to promote sustainable energy development and trade was similarly successful. During the trip, U.S. businesses concluded commercial deals worth hundreds of million of dollars, including 11 new private sector ventures.

We recognize that an export strategy that focuses solely on geography is incomplete. Accordingly, we have begun to identify clusters of industries for special consideration in our export promotion efforts within the BEMs. I know that this has been of special concern to this Committee, which has mandated that we devise priorities for export promotion not only in geographical regions but also for industrial sectors. The list of sectors is not static -- it is an evolving one that varies across BEMs. Based on future growth and job-creation prospects, we have selected, as a start, six clusters of economic activity for particular emphasis. They are: environmental technologies, energy, transportation, information technologies, financial

services, and health technologies. Of course, we will continue to give enormous attention to other sectors, too, such as textiles.

(2) Other Geographic Initiatives

Traditional Markets: The BEMs are not the sole object of our focus over the coming year. Large industrialized markets also offer excellent prospects for increasing U.S. exports. We have no intention of ignoring our traditional markets -- Canada, Japan, and Europe, which still account for over half our exports. Over the past year, the Administration has initiated several programs to help U.S. firms increase their sales to these markets.

In Japan, in addition to pressing for continued market-opening through the Framework negotiations, we have augmented our traditional export promotion efforts with new initiatives on advocacy, helping American firms take advantage of Japanese overseas development assistance opportunities, and information technologies exports opportunities.

Building on our successes under the U.S.-Canada Free Trade Agreement, we have moved quickly to alert American business to the additional opportunities created by the NAFTA. Our efforts have included a variety of information seminars, outreach

efforts, and trade events which have reached close to 20,000 American businesses.

As Western Europe moves from recession to growth, American firms will face new opportunities. To help take advantage of them, we have worked with Ambassador Holbrooke to develop a pilot program, Showcase Germany, as a model for an expanded trade promotion effort across Europe which we will be developing in 1995.

Economies in Transition: Market reform and the transition to democracy in Russia, the Newly Independent States, and Eastern Europe, as well as the Middle East peace process, also offer tremendous opportunities for our commercial efforts to complement the process of political and economic change. Our report outlines the strategies we have in place to ensure that the American business community is part of that change. It also highlights some of the "success stories" arising out of these strategies such as the development of "Sakhalin II" -- a \$10 billion oil and gas project that will offer major opportunities for U.S. energy sector suppliers -- with the support of the Embassy and the U.S.-Russian Ombudsmen for Energy and Commercial Cooperation.

(3) Services

The fastest growing segment of the U.S. economy is services. It includes banking and insurance, travel, entertainment, wholesale and retail trade, legal and other business services, information, telecommunications, healthcare, education, transportation, energy and environmental services, as well as architecture, construction and engineering services. The United States is the world's leading producer and exporter of services. Our exports of services have increased markedly in recent years, from almost \$86 billion in 1987 to \$173 billion in 1993. Importantly, our \$60 billion surplus in private sector services trade in 1993 offset over 40 percent of the year's \$132 billion goods trade deficit. Yet, I believe our services exports are only a small fraction of their potential.

Accordingly, we have begun to craft a strategy to help U.S. exporters of services increase their sales abroad. Elements of our strategy, which are detailed in the report, include: increasing access to foreign markets; a focus on traditional and new markets and key sectors; technical assistance; better market analysis; and improved interagency cooperation.



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(4) Trade Finance

We have, over the past year, identified two additional areas in trade finance where government actions may have potential to help increase U.S. exports -- project finance and untied aid. Several program enhancements, outlined in the report, are underway.

Establishing a Unified Budget for Trade Promotion

An important element of our report is a unified trade promotion budget that permits comparisons of trade-promotion spending across agencies, promotion activities, geographic regions, industrial sectors, and firm sizes. Importantly, the report makes three general recommendations for increased emphasis in shaping funding decisions:

- Capitalize on opportunities in Big Emerging Markets;
- Provide sufficient emphasis on sectors with the highest growth potential, including the services sectors; and
- Target resources that help small- and medium-sized business.

We have come a long way on this issue over the past year; but I believe we are still at the beginning of a process: one of ensuring that all this data and analysis are put to use in developing specific programmatic and funding recommendations for

the President's FY 1996 Budget as envisioned by Congress when it passed the Export Enhancement Act.

The analysis presented in this report will serve as the basis for discussion of trade promotion priorities for the development of the President's FY 1996 Budget. Further, the Budget will include a section detailing the President's budgetary recommendations in the area of federal trade promotion.

Conclusion

And that brings me to my final point. I think this report documents something rare in government: we told you a year ago that we were going to do something, and we did it. But it, too, like our steps toward a unified budget, is just a beginning. We have done a lot of work to level the playing field, whether it is through advocacy or trade finance, to put us on a par with our foreign competitors like the French, the Germans and the Japanese. But these have been incremental steps. Our challenge for the coming years as we broaden and deepen our export strategy is to come up with a plan that will not just allow us to meet the foreign competition, but to leave them in the dust.

In the coming months my TPCC colleagues and I will initiate a process to develop what these next steps could be -- whether they include an even harder look at the budget, an even bolder trade

finance initiative, a dramatic expansion of our technical assistance programs to influence the demand for U.S. products in developing countries, or new kinds of partnerships with the private sector. We will look at what they might cost and the stakes involved in succeeding or failing to undertake them. As he said in the opening letter to the Report, President Clinton has charged the TPCC with redoubling its efforts and thinking more boldly in developing the next phase of our export promotion strategy. We welcome your involvement in this process.

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