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INTERNATIONAL TRADE AND THE ENVIRONMENT

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INTERNATIONAL ECONOMIC POLICY AND TRADE

OF THE

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INTERNATIONAL TRADE AND THE ENVIRONMENT

WEDNESDAY, JUNE 21, 2000

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

The Subcommittee met, pursuant to notice, at 2:05 p.m. In Room 2255, Rayburn House Office Building, Hon. Ileana Ros-Lehtinen [Chairwoman of the Subcommittee] presiding.

Ms. ROS-LEHTINEN. The Subcommittee will come to order. Thank you so much for being here today.

It has been said that we do not inherit the Earth from our parents but rather bequeath it to our children. Today we are just beginning to understand the real and long-term effects which our existence has upon the natural world around us and how we can as Americans can affect environmental change for the better.

One area in which it has become quite clear that we can export our concern over the environment to other nations is in international trade and development. By supporting initiatives which not only account for environmental concerns but indeed promote conservation, the United States can provide leadership in a world where concerns over the environment are becoming ever more prominent.

In an age when international commerce and the cause of conservation are often described as locked in the proverbial battle between an immovable object and an unstoppable force, it is incumbent upon us to pause and realize that trade and the environment are not issues which are mutually exclusive. The twin goals of trade and the protection of the environment can provide each other with opportunities to pursue sustainable development as well as conservation.

Following the World Trade Organization Seattle ministerial in 1999, the world took notice of the issue of environmental conservation and its relation to the international trade community. As protesters from an eclectic collection of causes pour into the streets of Seattle we were all forced to revisit the way in which multi-national trade organizations had dealt with the issue of protection of the environment. Among the most serious charges leveled at the WTO was the perceived lack of priority given to national and international environmental laws. For example, while most member nations have committed themselves to certain core environmental

standards, protesters felt that the WTO was not taking steps to implement regulations to reward countries adhering to and exceeding such standards.

In response to these attacks, WTO members stated that as an organization it is entirely dependent upon the desires and actions of its member states and that many were unenthusiastic about instituting reforms which they felt would overly burden developing nations.

So for those Americans who believe that environmental conservation is an important and needed reform within the WTO, we must look far closer to home in order to ensure that care for the environment is afforded the same respect as other international trade issues. This goal can be accomplished by addressing the procedures and regulations employed by the U.S. Government agencies which fund and support American trade and investment abroad such as the Overseas Private Investment Corporation, OPIC, the United States Trade and Development Agency, USTDA, and the Export-Import Bank of the United States.

By promoting projects and endeavors which account for environmental conservation as well as assisting in creating sustainable development within the local communities and economies, the United States can provide the leadership which the WTO has failed to exhibit and perhaps provide other nations with an example of just how trade and environmental concerns can work together.

One possible example of this fusion of trade concerns and environmental awareness which has been proposed by analysts is to take advantage of the vast experience which the United States has developed in the field of environmental conservation. For many years, the United States has been in the forefront of nations studying the environmental impact of industry and developing more environmentally friendly modes of production.

These innovations can be put to use, for example, when a state finally develops the necessary resources to maintain a stable economic infrastructure and decides to allocate some of its surplus resources toward protecting the environment. With the proper guidance and support from U.S. agencies, American firms with the necessary experience and technology may find a fertile business opportunity.

Another example lies in less developed nations, where the drive to actively conserve the environment may not be as prevalent as it is within our country. American firms with the foresight to understand the inherent value of the environment can create new opportunities, such as eco-tourism, to not only conserve the local environment but to strengthen the local economy.

Finally, there is the vast divide between the environmentally friendly technologies developed here at home and those available in many other nations of the world. These technology firms, which create products such as industrial scrubbers and other bio-friendly commodities, represent yet another opportunity for Americans to increase our share of the growing international market while at the same time benefiting the protection of the environment.

With the passion and assistance of the men and women assembled before us today we can come up with just a few examples of how it is that international trade and the protection of the environ-

ment can work, and together we may be able to help provide our children and our grandchildren with a world full of blue seas and green forests as well as to provide them with the prosperity and good fortune to appreciate the beauty of nature.

I am proud to yield now to the Ranking Member of the Subcommittee, Mr. Menendez.

Mr. MENENDEZ. Thank you. I appreciate the opportunity you have provided us for talking about this globally important question of the relationship between trade and the environment. Clearly, the subject is topical, as we have seen over the past 6 months in the news, and it is, more importantly, of long-range importance as decisions made now on this issue will have an impact for years, even, I believe, centuries to come.

The protests at the WTO meetings last December in Seattle, and in Washington at the World Bank IMF meetings, serve to remind us that there are still plenty of skeptics and some with good cause. There are legitimate concerns on both sides of the question, considering for a moment trade and the environment separately. Most people in the United States agree, though that, the development of trade and protection of the environment are both desirable. More significantly, I would say there is growing consensus in this country that they should no longer be considered mutually exclusive. I believe most of our witnesses today will make that point rather ably.

Certainly the vote that we expect today, which I think will be somewhat lopsided, in calling for the United States to leave the WTO, the vote against that is an indication of wide support for continued U.S. participation and leadership in global trade mechanisms and discussions. But that vote, when it takes place, does not, of course, mean citizens in the United States and elsewhere are complacent with the WTO. The Seattle protest should not be disregarded, for they reflect a real disenchantment for the way the WTO operates.

Principally, these problems include the world trade body's failure to pay sufficient attention to environmental concerns, as well as its continued penchant for operating in a secretive manner.

These concerns, along with important labor considerations, are part of the reasons certainly that talks on future multilateral trade agreements remain stalled. In fact, since 1994 when NAFTA was agreed to, and the Uruguay round of GATT negotiations culminated in the establishment of the WTO, not much more has happened. So I believe that the United States, through continued leadership on these issues, can help lead us back on track to sustainable, responsible growth through environmentally friendly trade.

In the past few years, the United States, with help from NGO's such as the National Wildlife Federation from which we will hear today, has done admirably in asserting the necessity of pursuing the twin goals of liberalized trade and environmental protection and to argue that these not need be in conflict.

Prior to the start of the Seattle WTO ministerial meeting, the U.S. Government, with backing from NGO's, made clear to its negotiators a set of guidelines intended to, "ensure the trade rules continue to be supportive of environmental protections at home and abroad."

In a public White House declaration, President Clinton outlined a series of principles. They included: increased accounting of environmental implications, greater transparency in the WTO and trading system, strengthened cooperation between the WTO and international organizations with respect to environmental matters, assurance that trade rules do not undermine U.S. ability to maintain and enforce fully U.S. environmental laws, support for ecolabeling, and full participation of environmental, health and safety officials in trade negotiations.

These policy guidelines for the multilateral WTO are extensions of what the United States has called for and implemented in its own government institutions charged with trade development. In 1985, Congress added environmental provisions to OPIC's statute. In 1992, Congress revised the charter of the Export-Import Bank, requiring environmental review procedures; and we look forward to hearing from these U.S. trade agencies, including the Trade and Development Agency, about how they have redoubled their focus on environmental questions in recent years.

Finally, one of the most interesting proposals prior to Seattle was to identify and pursue win-win opportunities in which reducing or eliminating subsidies and opening markets can yield direct environmental benefits, such as recent moves to reduce subsidies to fishing industries and thereby reduce overfishing. This kind of initiative is where the future of sustainable, environmentally responsible and publicly supported trade lies.

One outcome of the protests at Seattle is that a variety of issues once considered anathema to trade discussions, including environmental impacts of trade, have become more visible and harder to ignore in subsequent trade negotiations. Environmental concerns will from now on be a constant ware on any trade negotiation table.

In this reality, there are challenges and opportunities for the United States. The challenges include the need for industrialized countries, with the United States in the lead, to convince developing nations that environmental protection is in their interest, too. So, too, the United States and other WTO members are challenged to persuade the world trade body to be more transparent in its actions and inclined toward protecting the environment.

At the same time, the mounting international pressure for sustainable, environmentally responsible growth in developing countries provides significant opportunities for U.S. firms. U.S. exports in environmental technology have nearly doubled since 1996. U.S. companies must overcome extremely difficult competition from foreign companies subsidized by their governments, but there should be plenty of room in what is estimated to grow to a more than $500 billion industry in the next few years. Opportunities exist, too, in the growing areas of biodiversity and ecotourism.

So I look forward to hearing from the panelists today about some of these issues. I look forward to hearing about those projects that support a healthier global environment by helping to build the capacity of developing countries to meet environmental needs and about opportunities for U.S. firms and organizations to play a larger role in the export of environmental technology and expertise.

I am reminded that we travel on a small spaceship called Mother Earth and that we are dependent upon its natural but limited re-

sources. And that as we seek to raise the tides for all people in terms of the economic opportunity that trade can provide, we need to remember that the sustainability of all of those possibilities exists with the type of environmental decisions that make us good stewards of the land for this generation and generations to come.

That is our challenge. It is also a tremendous opportunity. And I personally want to thank those who have raised and continue to raise the issue of the environment. I don't always agree on how they raise the issue, but I do believe that the raising of the issues has made it possible for this to be part of the agenda and the debate in the days ahead of the trade issues that we will face.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Menendez.

Mr. Cooksey, thank you for joining us.

Mr. Rohrabacher for some opening statements.

Mr. ROHRABACHER. Every time I hear about this issue being discussed there just seems to be something that is left—the equation just totally left out. I am listening today, and it just seems it is being left out. There is a void there.

I sort of looked at the map. I was trying to think what that void is. It is very clear what that void is now, so that nobody is talking about where democracy and freedom come into play in this issue. It is just like not part of the question. I mean, it is all about the environmentally good things that need—the policies that need to be followed and, you know, what sort of trade policies we will have. But there is a relationship here, a very strong relationship between how we trade and what policies we have as—based on what type of government is on the other end of the trading relationship.

And people—let me assert this—people in developing countries have just as much right to democratic government and making their own decisions and controlling their own destinies including their environmental policies as we do. And anybody who comes from a rich, developed country like the United States and thinks it is going to impose on a democracy environmental laws is talking about tyranny. Even though it is the best of motives, cost benevolent motives saving the environment, the best of motives. But this is totally—then we are talking about a dictatorship. When you are talking about how you relate and what laws should be restricting trade with dictatorships, that is totally different.

The WTO—and this is one of my biggest problems with the WTO and a lot of the other trade—you know, globalist trade policies that we have been hearing about on Capitol Hill—is that these policies almost always insist that our trade policies and our policies in the government should be exactly the same toward a dictatorship as it is toward a democratic government. That makes no sense to me.

I happen to believe that if you have a democratic government they can set their own environmental restrictions, as I said earlier. They have a right, and businesses—and we try to control the trade policy—businesses have a responsibility when they go to those countries to obey the laws of those countries because the laws are, by definition, the laws that have been put in place by the people there through the ballot box.

But now, with dictatorships, that is a whole different issue, isn't it? And we have had a lot of dictatorships. We had a lot of trade with nations when they had a lot less than a free government. Now

they are struggling to have a democratic government. I will bet you that the open environment policies that we noticed in the old Indonesian government are going to be changed.

In Burma, we had the rape of a rain forest in order to what? In order to put money in the pockets of a militarist elite and to also to help give them the weapons they needed to repress their own people. So we had dramatic degradation in non-free countries. This has to be an important part of the debate.

Because part of the struggle to staff the resources around the world and have good environmental laws is, No. 1, giving the people of those countries the right to control their heritage, their rain forests, their land, their skies, their oceans. And I think it is wrong to think that we are going to have a WTO, you know, just—the argument is, well, the WTO has to do—have more regulations that are going to protect the environment in the Third World.

I don't agree with that at all. I think the WTO should—you know, people in their own countries—we should be struggling for democracy and let the people in their own countries start protecting their rights of their people when it comes to their natural resources.

Again, I say we should be trading, trade-wise, with Costa Rica different than Burma. And if we do and if we promote democracy I think in the end it will promote environmentally good decisions at the same time. Because with honest and democratic governments you don't have the wholesale corrupt destruction of these natural resources.

We need a code of conduct for American business in dealing with dictatorships. The code of conduct in dealing with democratic societies should be the laws of those societies as those people see fit.

If Burma wanted to destroy its rain forest, if the people of Burma wanted to do that in order to have an education system to sell their trees, they have a right to do so. If the people of Burma did that—not the little dictatorship, but if the people of—if they wanted to do it because they wanted to use that money for education, what might be a tradeoff, that would be their right to make that tradeoff. What isn't good is having dictators down in Indonesia or Burma or anywhere else raping the environment in order to make a quick profit and put it in Swiss bank accounts.

So I think that when we are talking about trade policy, we should distinguish, as the WTO does, not between free and unfree countries. And if we ourselves in the United States try to establish our own standards maybe, as I say, rather than putting all of our authority and power in the hands of the WTO, set up our own standards like a code of conduct for American companies in dealing with dictatorships. That would have my support.

And, with that, I am very interested in hearing what the witnesses have to say. I do know one thing. The Export-Import Bank and American financially supported international financial institutions have subsidized a lot of really bad environmental decisions and economic activity going on in dictatorships. I mean, we have actually financed with our tax dollars the destruction of the environment in countries that were not free, where their own people couldn't vote out the clique that was in power.

That should stop immediately. We should have a restriction on all subsidies that come from the U.S. taxpayers on economic activity that would be deemed not acceptable by American law because of environmental reasons in the United States. But, again, when we are dealing with a democracy let's have those people have control of their own lives and let's not just ignore their rights as well.

So thank you very much, Madam Chairman.

Ms. ROS-LEHTINEN. Mr. Cooksey.

Mr. COOKSEY. Thank you, Madam Chairman.

I would certainly agree with the comments of my colleagues, but I will defer my time to hearing from the witnesses. We have some impressive witnesses. I have glanced over your statements. I am anxious to hear what you say. Thank you.

Ms. ROS-LEHTINEN. Thank you.

I would like to now introduce the three administration witnesses who will share their views on the current state of relations between international trade and environmental communities this afternoon. So let me begin with—and I am terrible with names. I have got a name that everyone slaughters, so I hope I get more or less these right:

Mildred Callear, Vice President and Treasurer of the Department of Financial Management and Statutory Review for the Overseas Private Investment Corporation, OPIC. OPIC's former Senior Counsel for Administrative Affairs, Ms. Callear is the currently the corporation's chief financial officer and responsible for administering OPIC's financial and political risk insurance portfolios. Thank you so much for joining us.

She will be followed by Ms. Barbara Bradford, the Deputy Director of the United States Trade and Development Agency. A graduate of Georgetown University, Ms. Bradford joined TDA in 1986 after a series of successful ventures in the private sector, including having founded a prosperous export trading firm. While at TDA she has focused on managing the agency's small business outreach programs and its trust funds with the World Bank and other financial institutions.

We are also fortunate to have Mr. Dan Renberg, member of the board of the Export-Import Bank of the United States, the Eximbank. Sworn in as a board member in November 1999, Mr. Renberg is the former president of Renberg Strategies consulting firm and a published author of a book on the House of Representatives entitled, A House of Ill Repute. I understand Mr. Rohrabacher has an entitled chapter in that book?

Mr. RENBERG. The Congressman wasn't one of the contributors, but some of his colleagues were—Congressman Gingrich, Congressman Walker. We could always do a reprint, I guess.

Ms. ROS-LEHTINEN. Ms. Callear, Let us begin with you.

Ms. CALLEAR. Madam Chairwoman——

Ms. ROS-LEHTINEN. We will be glad to put your entire statements in the record. If could you briefly summarize them, we would appreciate it.

STATEMENT OF MILDRED O. CALLEAR, VICE PRESIDENT AND TREASURER, DEPARTMENT OF FINANCIAL MANAGEMENT AND STATUTORY REVIEW, OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

Ms. CALLEAR. On behalf of OPIC President and CEO George Muñoz, I appreciate this opportunity to testify on the relationship between trade and the environment. And we also appreciate your leadership and the bipartisan approach that you and the other Members of the Committee are taking to this important issue, because we really do think that it is good for the environment, good for the developing countries and very good for American companies.

Mr. ROS-LEHTINEN. Tell George we all say hello.

Ms. CALLEAR. I certainly will.

More than 15 years ago, this Congress had the foresight to give OPIC an environmental mandate. We were charged with conducting environmental assessments for all of the prospective projects that come before us and to avoid doing any project that would have the potential for serious harm to the environment. Thanks to that vision, OPIC is one of the first international agencies to have an environmental mandate, and today we have a rich history of successful environmental assessment and monitoring that I think showcases the responsible approach that American companies have taken.

Now I would acknowledge that, at times, this has posed a dilemma for OPIC because, as Americans, we recognize and value the benefits of clean air and water and soil, and it is only fair for us to take those values with us when we invest overseas. But, unfortunately, not all of our OECD counterparts have had the same approach. This has led to a very real concern that American companies may be at a competitive disadvantage if they are held to a higher standard.

But today I think there is more and more consensus among environmental groups, U.S. business and us in the government that common environmental standards for overseas investment really do make sense. We should not allow foreign companies to compete for business by cutting corners on environmental health and safety. And I know that many Members of Congress have worked diligently with your parliamentary counterparts overseas to try to bring this point home, the importance of having a common standard when companies are bidding on the same projects in developing countries.

Since 1999 we do see that some of our counterparts have begun to make some changes. I think that some of that is due to the same pressures and discussions that we are seeing in our own country as the environment is higher on the agenda and there is more need for our OECD counterparts to look at these issues. But there is much more that needs to be done. There is much that has to occur before there is a real, substantive standard that is applied and, I think, some of the transparency and accountability issues are so important to having an open discussion about the projects and their effects.

So we think that U.S. leadership is helping to level the playing field, but there is much more work ahead.

Now, although having strong policies in the environmental sector is important, our real commitment I think is shown by the types of projects that we do, as you mentioned earlier. There are many opportunities for American companies to really take a leadership role. For example, just last week OPIC approved a project that will greatly benefit the health of the people in Bulgaria. We approved $200 million of political risk insurance to rehabilitate a thermal power project in Bulgaria. It is Entergy Power Group out of Louisiana—New Orleans—that will be modernizing this plant.

As a direct result of their investments, some very important U.S. technology is going to be put into place. Atmospheric emissions will be reduced because there will be modern new gas desulfurization technology, low NO_X burners and other state-of-the-art equipment. So this will have significant health benefits for the people of Bulgaria, and it will also improve the supply of electric power. The rehabilitation of this plant will allow the Bulgarians to phaseout their reliance upon a Soviet-era nuclear facility that is clearly unsafe and technologically obsolete.

A couple of other noteworthy environmental initiatives. You may be aware that OPIC has a series of investment funds, and three of those funds are focused on environmental investments. There is nearly $500 million of equity capital that is available for investment. One of those funds has fully invested its capital and two others are making investments in clean water, clean energy and waste water treatment.

Because of President Muñoz' dedication to small business, we are also focusing on how we can work more closely with the small business sector to do good things for the environment. We recently announced, during World Environment Week, a $1 million project to support small environmental projects in the Philippines. We are working with the nonprofit NGO, Counterpart International, and they have set up a for-profit subsidiary that will take equity stakes in small energy-efficient projects, ecotourism, water supply projects, etc., in the Philippines that will help to improve the quality of life there.

And, finally, one project that we approved last year I think demonstrates how we can meet the environmental challenges that are inevitable when we are financing and ensuring projects overseas. The Cuiaba integrated power project involved the construction of an underground natural gas pipeline from southeastern Bolivia to fuel a power plant in Cuiaba, Brazil. This project has provided us an unprecedented opportunity for participation and dialogue as the project was assessed and developed. It will benefit the environment because it will provide clean natural gas as an alternative to diesel and because currently many of the local citizens are harvesting timber for fuel wood and that is resulting in a lot of deforestation.

So we are very pleased to have the opportunity to work on a project of this type, but it does present many challenges. It required us to ask the sponsors to thoroughly assess all of the impacts in advance and, in fact, to reroute part of the pipeline to avoid an environmentally sensitive area, which they were satisfied to do.

To ensure that the project meets the environmental commitments that we are putting into the agreements, we have really an

unprecedented monitoring program, and we are trying to do it by using advanced technology to measure and manage the project impacts. We are using satellite imagery, satellite telecommunications and the ability to send digital images, including video images, directly from the field as the monitoring is occurring back to our offices. Much of this we are putting on our state-of-the-art website, and we have had the results posted in both English and in Spanish so that the local citizens in Bolivia can understand the impact of the projects that are taking place in their country.

So through this process we have I think made great strides in engaging the local citizens and the NGO community, and we are having a proactive dialogue. We really have set out to make this project a model; and we think that, because of the cooperation of the sponsors, including the Enron Corporation, we are well on our way to doing that.

As further evidence of their commitment, they put forward $20 million of additional funding to support a regional forest conservation program which is really separate and apart from the project itself but I think shows their good will and their desire to have a long-term relationship with the citizens of that country.

So our experience in implementing projects shows that under President Muñoz' leadership we have really been able to strike the right balance between protecting the environment on the one hand and making sure that we are helping American companies compete in a marketplace that is becoming increasingly competitive for all of us.

As Congressman Menendez and you have described, I think the opportunities are excellent for American companies and there is a real chance for us to take our technology and our skills and our infrastructure that we have developed here and really be a model for the world at large and to truly sell our services and our products in a way that is very good for our country as well. Thank you very much.

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

Ms. ROS-LEHTINEN. Thank you so much.

Ms. Bradford.

STATEMENT OF BARBARA BRADFORD, DEPUTY DIRECTOR, U.S. TRADE AND DEVELOPMENT AGENCY

Ms. BRADFORD. Thank you, Chairperson Ros-Lehtinen, Congressman Menendez, and Members of the Subcommittee, for this opportunity to testify today on the U.S. Trade and Development Agency and the environment.

I would like to briefly summarize my remarks.

As our name suggests, TDA targets projects that promote trade while assisting low- and middle-income countries with their development and infrastructure priorities. With the international political pressure mounting in recent years for countries to become more environmentally responsible, environmental projects have become an important mainstay of TDA's programs. Despite the growth in this market, however, U.S. companies face extremely tough foreign government subsidized competition. As a result, the assistance TDA and our sister export promotion agencies can pro-

vide our companies can be critically important to their success overseas.

My testimony today will focus on how TDA has responded to worldwide environmental trends presenting export opportunities for U.S. companies, as well as a couple of examples of the environmental projects in which we have invested.

Let me begin by discussing some of the trends we have observed in trade and the environment around the world. From hazardous waste to air pollution, the world community now recognizes that environmental mismanagement in one country can have negative global or regional consequences. Although the initial investment in pollution mitigation and prevention technologies can be costly, failure to make this investment can result in environmental problems with much higher costs. Recognizing this, many countries have significantly strengthened their environmental policies.

One of the trends we have witnessed that we believe has great promise for U.S. firms is the increase in the number of privatization and private sector projects. When market-based decisions prevail over political ones, U.S. companies frequently benefit. We have witnessed this in Asia where, given the somewhat limited resources of the public sector, governments are encouraging the private sector to undertake many environmental investments. Also, in Europe, there is intense political pressure for the new EU accession countries to adopt the strong environmental regimes of their Western European counterparts. This has led to a multitude of private sector environmental projects.

Our strategy, however, has been to focus on private sector projects because private sector decisions tend to be less distorted by political pressures than public sector projects. On a level playing field, when the choice comes down to who has the better product and expertise, U.S. firms do very well against their tough competition, whether it is in Asia, Europe or any other region.

TDA has recently hosted several conferences geared toward the environmental sector. Conferences are particularly helpful for small business, and many environmental firms fall in this category, because their limited business development budgets make it difficult for them to identify potential overseas opportunities. Our conferences help with this problem because we have essentially done the legwork for them.

Take as an example our U.S. Environmental and Process Technologies Conference which we held in Hungary last fall, where, for the price of an airline ticket and a nominal fee 56 U.S. companies were able to meet one on one with local project sponsors regarding more than 30 major environmental projects. Since that conference, we have already funded half a dozen feasibility studies for projects that were profiled at that event.

TDA conferences and the resulting feasibility studies are examples of TDA capitalizing on win-win situations. Not only are we able to assist regions in addressing their thorny environmental problems, we also help U.S. companies establish a foothold against their competition in this lucrative market.

Let me turn for a moment to a newly identified category that falls within the environmental sector, emergency management and preparedness. Obviously, not all environmental calamities are man-

made, so we must make efforts to deal with natural disasters as they occur. Institutions such as the World Bank, tired of watching decades of loans and advances in development literally wash away in floods or crumble in earthquakes, are seeking solutions. In the last 2 decades, the World Bank has lent over $14 billion for disaster preparedness, mitigation and response, with this trend expected to increase rapidly.

With key sources of funding such as the World Bank already identified, the potential for significant U.S. exports in this area is pretty impressive; and U.S. firms are well-positioned to take advantage of these opportunities. The United States industry is a world leader in emergency management, information technology systems, weather forecasting systems, telecommunications and a wide variety of emergency response equipment. To capitalize on this new sector, TDA has hosted several events designed to showcase U.S. equipment and expertise, including earthquake reconstruction symposia in Turkey and our first major event, the Asia Regional Emergency Management Conference.

This fall, TDA will sponsor a similar event targeted toward Latin America.

TDA spends close to 20 percent of its budget each year on environmental projects ranging from water and waste water to air quality to industrial efficiency and clean energy. Last year alone, we invested $10 million on over 50 feasibility studies and other related activities that had a strong environmental benefit. This year, in India alone, we will probably invest in over a dozen environmental feasibility studies. In addition, it is important to note that all of our feasibility studies in every sector examine the environmental implications of projects in which we invest to ensure that where the environment is concerned we do no harm.

Madam Chairwoman, I would like to briefly discuss a couple of examples of TDA's environmental projects.

The first is a great little success story of a small business in California with new, high-tech proprietary technology and its efforts to introduce this technology into the marketplace. In Venezuela, the government is trying to address environmental problems caused by the oil industry, particularly in the area of thousands of oil pits. In response to this effort, TDA funded a feasibility study for an oil pit remediation project in 1993. As a result of the feasibility study, a U.S. environmental company teamed up in a joint venture with a Venezuelan firm and won the contract to clean up one of the oil pits using their centrifuging and stabilization technologies. This has generated approximately $5 million in exports so far, and since it is viewed as a pilot project we expect the exports to go much higher in the years to come. In a couple of weeks, 12 Venezuelan delegates are coming to visit the United States to look for again U.S. technology for this clean-up of the oil pits.

At the other end of the spectrum is one of TDA's biggest success stories. Almost $200 million in exports have been associated with the feasibility study we funded for a Mexico City air pollution project in the early 1990's. It is no secret that Mexico City has faced a serious air pollution problem with untold health and economic costs. In the early 90's the Mexican government made a major commitment to begin addressing their pollution problems.

We provided a grant for the major feasibility study coordinating Mexico City's pollution mitigation effort. This project has been a huge success for U.S. exporters while tackling one of the world's most infamous environmental problems.

In conclusion, again I would like to say that TDA's environmental projects are win-win situations. Not only do they present U.S. firms with lucrative export opportunities, but they help developing countries address their pressing environmental problems. While U.S. firms are very competitive in the environmental sector, we must not lose sight of the fact that our companies are facing competition that is heavily subsidized by foreign governments. To counter this competition, TDA strategically responds to the trends driving environmental decisions in the various regions of the world. In this way we believe that we are making a significant contribution in helping U.S. firms win some of these opportunities, while helping countries take important steps on the road to environmental progress.

Thank you very much for your time and attention.

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

Ms. ROS-LEHTINEN. Thank you so much, Ms. Bradford.

Mr. Renberg.

STATEMENT OF DAN RENBERG, MEMBER OF THE BOARD, EXPORT-IMPORT BANK OF THE UNITED STATES

Mr. RENBERG. I assume that you will put the longer version in the record——

Ms. ROS-LEHTINEN. Absolutely.

Mr. RENBERG [continuing]. For history and historians. I worked on it last evening. I tried to abbreviate it. It was down to 4 minutes and 40 seconds in my kitchen. Different air, different temperature—I am not sure how it will come out.

I appreciate you having this hearing. I think it is great for the people who visit Washington occasionally in the summertime to descend on your offices and ask for the passes—it is great for them to see an oversight hearing not just targeted on legislation.

The comments you made in your opening statements I certainly take to heart—I am sure my colleagues here at the table do as well—and it is great to have a chance to think about these issues, as opposed to just thinking about a piece of legislation that is moving.

As a member of the board, I have just been there 7 months, since I was sworn in, I have what we call the environmental portfolio where I divvy up some responsibilities, jointly and separately liable for all the activities of the bank, but I asked for and have received this chance to work on environmental matters.

To give you an idea of the scope of our involvement, just 15, 20 years ago an Eximbank board member giving testimony wouldn't be able to say the following: We did $17 billion in transactions last year, total export value, 2,200 or so transactions, 86 percent of which were small businesses. So right off the bat this is not the Eximbank of old. I just want to draw that to the attention especially to people who aren't as familiar with Eximbank as they might be OPIC and TDA.

Over the past 5½ years we financed transactions including an estimated $2.7 billion in environmental export value. This includes the small business sales of air and water purification systems as well as multi-million-dollar fossil-fuel-burning, natural-gas-burning power plants. That really ranges—but a total of $2.7 billion over the past 5½ years.

A couple of the key points I wanted to leave you with today because I think you have had a chance to read the written testimony. We have an environmental exports program. We have had it since 1994, and we provide enhanced levels of support for environmentally beneficial exports, goods and services, which is another thing to point out. We are able to maximize repayment terms under the OECD guidelines. We can capitalize interest during construction, and we can finance a percentage of local costs. So we have tried to use market approaches, if you will, to get people to think more about buying United States environmental technologies.

I think that the Chair would be particularly pleased to learn about our experience with Kimre Incorporated. I am not sure if the Chair is familiar with that company. It is in Miami, Florida, in your district. Funny how that works, that my testimony would reflect that.

But a small business manufacturer of environmental control filters that is using one of our short-term policies to export around the world, they offer 60 days open account credit to their customers. What this means is they—first of all, they can do more exports. But, technically, what we can do is they don't need to insist on letters of credit from the foreign buyer. This makes it less expensive for the buyer, and they can hopefully buy more. Second, domestic banks for Kimre and other banks will allow them to get credit. As an assured foreign receivable they can get credit and borrow against that. So they can grow their business as a result of an export sale that really we believe wouldn't happen but for our involvement.

Congressman Rohrabacher, your comments on democracies and dictatorships made me pleased that I had included in my prepared text a mention of the southeast Europe reconstruction credit initiative that I am working on at the bank.

In early May, I visited both Prague and Budapest. We identified Hungary in particular as a very useful gateway for American goods and services, and once again particularly with the environment. One thing that the Czech Republic and Hungary have in common, they want to enter the EU, the European Union. They have to bring themselves into compliance across the board environmentally.

It is a wonderful market opportunity for the United States. So what we decided was to—not only did we have the Czech Republic and Hungary as potential markets, but all of southeast Europe is a potential market. We joined in what is a unique marketing relationship with our sister agency, the Hungarian Export-Import Bank, where we will jointly identify projects in Third World countries, in southeast Europe, Croatia, Romania, Bulgaria, where, for instance, a Hungarian company could bid on a waste water treatment plant, deciding to incorporate U.S. technologies, U.S. goods,

U.S. services. The Hungarian Eximbank would finance the Hungarian portion of the contract if they win, and we would finance the American portion.

So it is a chance for us to—almost a Trojan horse, if you will, but I don't mean in a war-like situation. But we can come in using the good offices of Hungarian Eximbank, the Czech Export-Import Bank, where we are hoping to do a comparable agreement with them. This is an effort to recognize that these fledgling democracies certainly need our help to stay—for their economies but also for the environment, and I am hoping that we can help them grow so they won't go back to the ways of old.

With respect to our environmental guidelines and procedures, we place a real importance—our charter places a real importance on balancing our mission both to promote exports with the need to protect the environment; and we do this through our environmental procedures and guidelines. I am sure you are all familiar with them. If a project doesn't fall within our guidelines, our first response is not to say, hey, we are not going to do this. Our first response so to try to work with the exporters and the project sponsors to see how we can ameliorate the project. What could we do with them so that they can avail themselves of the U.S. exports?

Of course, one potential outcome is that we still consider the transaction, declining. But certainly since I have been there that hasn't happened. Really, in recent memory what we have been able to do is to lift up the boat, so to speak.

One example, in Venezuela, they don't have—they did not at the time—I can't tell you when this was—they did not have guidelines on NO_X emissions nitrogen oxides. As a result, a foreign buyer, a power plant, wasn't forced to content with that issue. They could retrofit their power plant.

What we did is we came in, as I understand, and said, look, we have an environmental exports enhancement program. If you decide to put in special low NO_X burners, even though you don't have to under host country law, we can finance that. It meant that, ultimately, when Venezuela does get around to adopting NO_X regulations, they would already be in a position to comply. So it was I think a real win-win not only for the people of Venezuela but for the American exporter. That wouldn't have happened if our engineering division didn't take the time to work with the project sponsor on it.

My last point I would make is that the OECD is actually meeting—the exports credit group of the OECD is meeting this week in Paris. It is a very timely hearing with respect to what other ECAs, export credit agencies, are doing with respect to their own environmental procedures. Most of them don't have guidelines such as ours. We are seen—I think the NGO community would say we are seen as being in the forefront on this fight.

What I can report is we are making incremental progress at getting the G–7, ECAs and the other OECD ECAs to move forward. Right now, we have information exchange, but that is the first step. We are not in a position to dictate what these other country sovereign nations will do. What we are trying to do is lead by example and show that you can help your exporters get the job done

and get more sales without necessarily having to hurt the environment.

With that, I would be more than happy to answer your questions.

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

Ms. ROS-LEHTINEN. Thank you, Mr. Renberg.

Following up on what you had said in your statement about the policy you have about declining certain projects, that says—your environmental policy description states, Eximbank will decline to finance an export transaction if the board of directors determine that it is appropriate in light of the project's serious adverse environmental effects. And you had given us some examples, but what is considered serious enough to prompt the denial and what adverse environmental effects are deemed acceptable by your policy?

Mr. RENBERG. I will tell you, Madam Chair, I would be more than happy to supply the Subcommittee for the record with a copy of our environmental procedures and guidelines. We are really out there with respect to our ability. We can quantify NO_X, SO_2. We can really—I could give you that, but I don't have it off the top of my head.

Ms. ROS-LEHTINEN. So you have sound science to back up.

Mr. RENBERG. We have sound science, quantifiable guidelines with respect to specific emissions, for instance. We also have a more of a broad—we take into account sociocultural effects.

For instance, if a population is going to have to be shifted—you know, they are going to have to be forcibly moved by an environment, we take that that account. What efforts are there going to be to mitigate through compensation and other means? I think we are leading the league, so to speak, on having quantifiable emissions guidelines.

I would be more than happy to provide them for the record.

Ms. ROS-LEHTINEN. How do your board and your agency complement the work of the other agencies that are involved in helping U.S. businesses abroad? Especially U.S. environmental exporters.

Mr. RENBERG. Sure. Well, one thing I didn't mention on your first question, Madam Chair, would be that since I have been there we have not declined anything for environmental reasons. In fact, just last week we approved a transaction that I would say had some environmental issues. So there is not much in recent memory where we said no to something. So the board of directors doesn't often have to do it. We try to work with the project sponsors, as I said.

With respect to how we work with the other groups, we like to say we are the agency with the checkbook for American businesses that want to export. We have—thanks to Congress's appropriation, we have the ability to underwrite insurance and to direct loans but preferably loan guarantees. As you know, we don't compete with the private sector. We price things accordingly. I would say that sometimes there are projects where we work with OPIC jointly financing some power plants, clean natural gas in Turkey I think earlier this year.

With respect to TDA, one of my colleagues, Craig O'Connor, attended that Hungary environmental conference and came back

with loads of leads. So, from my perspective, we work harmoniously with them.

Ms. ROS-LEHTINEN. Thank you. Would you care to add anything about the agency's coordinated efforts?

Ms. CALLEAR. Sure. I think the way that we look at it at OPIC is that the first stop is TDA, because they are involved in the feasibility study end of things when a company is just beginning to think about a prospect; and the next stop is Eximbank, because you are going to generally export before you are ready to invest and the first step is to have a product and try to test it out in the marketplace by continuing to be here in the United States and to export abroad.

Finally, if you are successful enough, your investment may be such that you need to expand your presence and you need a presence in the market that you are going to serve, and we are involved in helping finance that long-term investment overseas.

As was stated, because Eximbank's focus is on exports and our focus is on investments, sometimes we can be side by side in the same project. We are financing it from the investment standpoint, and Eximbank is financing it because perhaps there are some GE turbines that are going into that power plant, and hopefully TDA did the feasibility study to start with.

Ms. ROS-LEHTINEN. Great.

Ms. Bradford.

Ms. BRADFORD. We are trying to open up the opportunities in the largest projects in developing countries for U.S. firms. At that very early stage in the project development, the feasibility, prefeasibility study stage, nobody knows where the financing for the project itself is going to come from. If U.S. investors and U.S. manufacturers get involved in building the project, likely, OPIC and Eximbank financing will be there. But many of the projects are financed by the World Bank, the host governments themselves and private financing, and we want to make sure that those projects go forward with financing and that it isn't tied to some other nationalities and so that the U.S. exporters have a chance to sell into them.

Ms. ROS-LEHTINEN. Thank you.

Mr. Menendez.

Mr. MENENDEZ. I want to make a comment to my colleague from California. I share some of his concerns on the question of the democracy aspects of our trade and the engagement with nondemocratic countries. I know that the Chairlady's focus today was the environment, and so I think many of us are focused that way.

I would love to see a session on—a hearing on trade and democracy issues as well. We look forward to that opportunity.

Let me just—one of our panelists later will say that any linkages with our trade issues and environment are possibly doomed, that the World Trade Organization creates some serious issues for us. You have all spoken about what you have done positively in this regard. Have we put you at a competitive disadvantage—since you are all there to promote U.S. interests abroad in terms of export promotion and assisting U.S. companies being able to export their products and services abroad, and ultimately that creates opportunities here at home, have we put you at a competitive disadvantage

by the congressional mandates that we have provided in legislation to have you consider environmental issues in the process?

Ms. CALLEAR. I would say that was the fear of some American companies initially, but the reality is that today the environment is so much a part of the business that is done here in the United States that, when it is taken overseas, it is really not as great a leap as one might think. The concern, however, is that their competitors may not have the same rules that have to be followed if they are going to the equivalent of their Eximbank or OPIC for financing; and that is the danger and why it is important for us to continue to work on this concept of trying to level the playing field for the standards. This is what we have tried to do with our political risk insurance counterparts and others who are in the development financing business, as opposed to just the export side.

It is not what Congress has done, I think it is what our counterparts have not done in living up to the responsibility that we all acknowledge we have to be sure that what we are doing in these developing countries is something that we can be proud of and that it is going to be beneficial and developmental, as opposed to harmful.

Mr. MENENDEZ. Doesn't that speak to creating the greater linkages that we would like to see in order to level that playing field and ensure that American interests abroad are competitive in the context of others meeting some of the same standards? As long as that doesn't happen, we will consistently have a set of problems in this regard?

Ms. CALLEAR. I think that is an issue that is there and has to be addressed. I think the problem that will develop is that, ultimately, if the playing field is not level, American companies are creative and they will find other ways to continue to do business, but it might be at the expense of U.S. exports. And that is the real fear—that we all learn how to work around the system if we have to, although it is not our preference. Certainly any company here in the United States would prefer to be using U.S. suppliers, but they do want that level playing field.

Mr. RENBERG. I don't think that Congress has disadvantaged American businesses with our current mandate as I have seen it in the 7 months I have been at Eximbank. I have seen environmental benefits occurring, mitigation of adverse impacts as we saw in a number of board transactions. We are up for reauthorization next year. After I have more time, I would be glad to chat with you on that issue.

The real issue is, can we get other members of the G–7 to stay with the program? The Cologne summit, they have spoken a good game about common—moving forward to their common environmental guidelines. Getting them to act has been tougher and slower going.

I can't wait to see what happens in Paris this week with respect to the OECD negotiations. There is a Congressman Menendez in France or Germany, and I would hope——

Mr. MENENDEZ. Probably in Spain.

Mr. RENBERG. Quite possibly—I would hope that your counterpart over there would care. To the extent that you can raise the issue with your counterparts, it would be so helpful.

Mr. MENENDEZ. With reference to your discussion about that pipeline development in Brazil and Bolivia and the public participation, how does that actually come about? How does that take place?

Ms. CALLEAR. Well, it takes place person by person, step by step. It is a very labor-intensive process. Enron Corporation estimated earlier in this implementation phase that they had upwards of 200 meetings individually with indigenous groups, members of communities, various NGO's, government officials on the ground in the various communities that are affected along the pipeline. The work is at the grassroots level.

At the more macro level, what we do is make sure that we post on our Internet site when we are about to do a particular project, make the environmental impact assessment available to anyone in the public who requests it, and provide an opportunity for comments. In fact, before every board meeting we have a public hearing so anyone who wants to come and talk to us about the project and give us their ideas or suggestions can do so. It becomes a very iterative process, and I think a dialogue has gone on in this particular case because it is a large pipeline, and a lot of people are affected.

Mr. MENENDEZ. But for the requirement for that consultation, we would have less of an empowerment and less of a democratization for those individuals, would we not?

Ms. CALLEAR. You have hit the nail on the head. As Congressman Rohrabacher was talking before, having that kind of public debate and accountability is the first step to democratization. It empowers people, and they have a tool to make the changes needed in the country. Environmental standards are good, but having accountability and transparency is really key.

Mr. MENENDEZ. Thank you.

Ms. ROS-LEHTINEN. Thank you.

Mr. Cooksey.

Mr. COOKSEY. Thank you, Madam Chair.

Ms. Callear, tell me if an American company went to Venezuela and started a business, took some of their technology there and they did not go through OPIC, what would be the ramifications of it on environmental issues, bad loan, on the political risk insurance?

Ms. CALLEAR. Clearly we believe we are adding value to the transaction, because chances are that, at this point in time, the standards that might apply in Venezuela—and I think we just heard an example from Eximbank about a similar case—might not be at the level that we require. We tend to follow the World Bank guidelines and supplement them when necessary.

This project has better environmental impacts because we have been engaged and working with the company to apply those standards. Certainly from a political risk standpoint, without OPIC that company has less protection if there are changes in the government's viewpoint on the particular project, if there is some difficulty on down the road, some contract that has to get renegotiated, some concerns that are raised.

Mr. COOKSEY. So if they did not go through you, they would not have any opportunity to take advantage of the political risk insurance?

Ms. CALLEAR. Certainly they would not have the U.S. Government behind them.

Mr. COOKSEY. Our largest source of oil for gasoline is Venezuela and Mexico, not the United States. It is not the Middle East. The largest retailer of gasoline products in this country is CITGO, and CITGO's major stockholder is the Venezuela government. Chavez is the man that led an overthrow of the government a few years ago, and then he was elected through a democratic process. That directly relates to what you are talking to.

I couldn't help but notice that Brazil in your testimony is replacing diesel fuel with natural gas, and that is the right and proper decision, and that has not been done in this country. In the energy crisis in this country, the Department of Energy or some of these politicians—and you know how I rail against politicians—they have dictated that we would do certain things in this country.

For example, in my State, they mandated a coal-burning power plant and energy plant, and we have these trainloads of coal coming in, while the plant is located on one of the largest reserves of natural gas in the United States. When all of you Northeasterners get cold in the winter and are complaining about your high heating oil, you should be buying natural gas because it is better burning fuel, it is environmentally the best. But that decision was made by a bunch of politicians 20 years ago. Of course, none of us would make bad decisions like that.

The other thing that I am glad to see is that our technology is being exported over there with energy. They are a good company in Bulgaria. And, again, I would emphasize something that Mr. Rohrabacher emphasized, that Bulgaria was running their government on a flawed political policy and that flawed political policy, which had no democracy, led them to make a lot of bad decisions from an environmental standpoint and from an energy standpoint, and they are paying the price right now. I think some of the worst environmental abuses occurred in these countries.

Ms. Bradford, I was glad to hear you say that you are aware when market-based decisions prevail over political decision the outcomes are better. I think that is true. You said that private sector decisions are usually better, and I think that is certainly the case—not that politicians don't always have this clairvoyant ability that we think that we have. Anyway, it is reassuring.

Mr. Renberg, sometimes I have some question about the Export-Import Bank and the approach that is used on some of those loans in countries, but you were reassuring, and I am sure that you are making economic statements and not political statements—and good banking decisions, too.

Thank you very much. Your testimony was good. There seems to be a game plan. I think that will be good for us and good for the rest of the world and the environment.

Ms. ROS-LEHTINEN. Thank you, Mr. Cooksey.

Mr. Rohrabacher.

Mr. ROHRABACHER. There is one thing worse than a politician and that is them who holds power without having been elected through a political process.

Dan, did you say that there have been no requests for loans turned down for environmental reasons by the Export-Import Bank?

Mr. RENBERG. Not since I have been there. Historically there have, but not since I have been there.

Mr. ROHRABACHER. Historically there have. You mean the Three Gorges Dam project in China?

Mr. RENBERG. Yes.

Mr. ROHRABACHER. Do you know of any other contracts with your organizations that have been turned down for environmental reasons?

Ms. CALLEAR. On a regular basis, people come to us with large dam projects, and we are not able to do those because of the environmental impacts.

Mr. ROHRABACHER. Yes, those dam projects.

Ms. CALLEAR. If someone proposes a power plant that can't meet our emissions standards, unless they are willing to apply the appropriate technology, we are not able to do them.

Mr. ROHRABACHER. Do you have some examples of people who have been turned down for environmental reasons?

Ms. BRADFORD. We turn down a lot of projects for a lot of reasons, and if there is an environmental problem that is so big, it wouldn't even come up from the staff as a recommendation.

Mr. ROHRABACHER. Early on we mentioned that we should not be financing with any tax subsidy any project that environmentally would not be permitted in the United States. Do you have that standard? Or is that something that has not been codified by your operations?

Ms. BRADFORD. Would we finance a feasibility study for a project that would not meet the environmental standards of the United States, is that the question?

Mr. ROHRABACHER. Correct. In other words, if a project is not possible in the United States because of our environmental quality, our laws, etc., and regulations, are any of your organizations involved or can you legally be involved in providing funds and support and subsidies for that very same project overseas?

Ms. BRADFORD. I don't know on an exact par, sir, how that would work. At the TDA level, when we are talking about the prefeasibility and the feasibility study stage of a project on the drawing boards, every step when deciding whether we provide financing for the feasibility study, we are trying to frame up the environmental issues. You are starting to frame up those issues and not apply the standards. So I——

Mr. ROHRABACHER. That is still a no.

What about you two guys?

Ms. CALLEAR. Our standards basically are the World Bank standards, and so what I would call them are international standards. Many of them have been based over the years by reviewing the best standards that exist in the world, which usually are the U.S. standards. But in terms of the actual substantive levels in every category, because U.S. laws were written for the U.S. environment

and the conditions that prevail here, which may or may not be the same in the developing countries, but they are the highest standards.

Mr. ROHRABACHER. In my opening statement I made it clear that people in democratic countries can set their own standards, but that is different. We are talking about setting standards for the use of our tax dollars. American people have a right to set a standard for the use of their tax dollars in subsidizing projects, at least that they are consistent with our values or consistent with our standards of environment or other types of standards. But that might be a good piece of legislation to consider perhaps.

Mr. RENBERG. If I could respond along those lines, Congressman, our guidelines I believe were done first in 1992—obviously, 1988 or 1992. They were recently updated in 1998. As part of that process, there was significant public participation, exporters, NGO's, dissemination very wide, and we—the good part, they sunset. We did not get a permanent guideline in place. They sunset at some point in the next year; and as a member of the board with this portfolio, I intend to work closely——

Mr. ROHRABACHER. Let me be more specific then. Are we financing in any way—have we financed in the last 10 years the construction of nuclear power plants overseas? No nuclear power plants? Nothing from your institutions on that?

Mr. RENBERG. Since I have been there, we did the safety upgrade in Lithuania.

Mr. ROHRABACHER. I have this feeling that some money that went into North Korea came from us or some of these Japanese clients.

Again, I personally am not necessarily against nuclear power, but I do know that you can't build nuclear power plants in the United States. And if that is the case because of our standards we should not be subsidizing that to other countries.

I have another question here about—what relationship do you guys have with the World Bank in terms of—you are totally separate? You do join in joint projects? Your organization does feasibility sometimes with the World Bank, doesn't it?

Ms. BRADFORD. Yes. But the World Bank is a multilateral development institution, and the United States is a member. TDA does have grant funding at the bank in a trust fund that is available to be used in the exact same way that the TDA core budget is to be used.

Mr. ROHRABACHER. Are there companies—to your knowledge, do you know of companies that actually leave the United States and set up factories in places like China in order to escape environmental regulations here?

Ms. CALLEAR. If there were companies doing that we would not be able to assist them, because we have a provision that states that we cannot support a runaway project. We are not active in China now anyway.

Mr. ROHRABACHER. My question is whether or not there are companies that close up shop here and set up in China, and that is not the discussion of today. If there are companies like that, they do get support from the World Bank, do they not, maybe if they go to China or Vietnam?

Ms. BRADFORD. Those that TDA funding goes into, bank projects, we look at that runaway shop issue at each stage of the vetting; and we would not put any TDA funding into a project that had that element.

Mr. ROHRABACHER. Your testimony today has been basically talking, and I would say justifiably, tooting your own horn about the proactive way that you have been to the environment; and that is very good. They say here in Washington if you don't toot your own horn somebody is going to come along and turn it into a spittoon.

I am very concerned about maybe some of the things that are not proactive but instead policies that are permitting things that go ahead and happen, you want to happen, but are just going through the system, people using your systems to do projects overseas that they couldn't do here. Of course, philosophically, I oppose the idea that we should be subsidizing people doing business overseas—but it makes it worse when they do things that we don't permit in our own country.

Thank you.

Ms. ROS-LEHTINEN. Thank you very much for your testimony today. We thank you for your participation.

To complement the expertise of our first panel, I would like to introduce two gentlemen who have been in the field and understand the problems and prospects of relations between the environmental movement and the international trade community.

First, I would like to introduce Mr. Paul Joffe, the Associate Director for Advocacy at the National Wildlife Federation's Office of Federal and International Affairs. A former Acting General Counsel of the Department of Commerce and Deputy Assistant Secretary of Commerce for Import Administration, Mr. Joffe is a former recipient of the Navy Achievement Medal for his years of service at the U.S. Navy JAG Corps. We thank you for being here today.

He will be followed by Mr. Myron Ebell, the Director of Global Warming and International Environmental Policy with the Competitive Enterprise Institute. In addition, Mr. Ebell currently chairs the Cooler Heads Coalition, a subgroup of the National Consumers Coalition that focuses on the issues of climate change. A former policy director at Frontiers of Freedom, Mr. Ebell is an accomplished essayist whose writings have appeared in a number of nationally respected publications.

I thank you gentlemen for your testimony. We look forward to hearing your insights, and your full statement will be entered into the record, so if you would feel free to summarize your remarks. Thank you.

Ms. ROS-LEHTINEN. Mr. Joffe, let us begin with you.

STATEMENT OF PAUL JOFFE, ASSOCIATE DIRECTOR FOR ADVOCACY, NATIONAL WILDLIFE FEDERATION

Mr. JOFFE. Thank you very much, Madam Chair. And I want to commend the Chair and the Ranking Minority Member for their very constructive statements and in fact support for environmental legislation such as the conservation funding legislation, and I would like to salute the Ranking Member for being from my home State of New Jersey.

Ms. ROS-LEHTINEN. There is another Mr. Menendez in Spain, you know.

Mr. JOFFE. Without a healthy global environment, any one nation's prosperity is in jeopardy.

The evidence of the need to ensure that trade and environment policy are mutually supportive continues to increase. At the same time, public confidence in trade rules and in multilateral institutions has been shaken. We believe this is because of a growing sense that these institutions don't reflect the public interest regarding the environment, but we are optimistic that that can be remedied because we believe that there are ways to do that, some of which have already been explored today.

I would like to suggest three components of U.S. trade policy we believe can advance both trade and the environment simultaneously so that they are mutually reinforcing. I am just going to touch on and summarize some items in the prepared statement for the record.

The first of the three is improved openness and accountability both in our own trade institutions and in those multilateral trade institutions. For example, prior to any action initiated by the United States against a foreign environmental measure, we believe that other agencies of the U.S. Government and the Congress and the public should be consulted. That is not something that has been fully done in the past, and we think that would be an improvement, and that is an example of a process improvement that we mention in the statement.

The second category of recommendations we have deal with ensuring that trade liberalization and environmental protection go hand in hand, and we reference a number of improvements here such as the need for recognizing legitimate national and international environmental standards. Contrary to what some have suggested, this is not some novel innovation. The charter of the GATT going back to 1948 contains a provision which allows for that type of consideration, and there has been some debate over whether it is being applied properly, but there is a long-standing principle, not a terribly novel innovation. In fact, it is something that happens within the United States. There is a leading Supreme Court case in which the environmental rules of the State of Maine were sustained against claims that they somehow violated free trade within the United States. So that balancing goes on under free trade regimes classically.

The third area in which we make recommendations is for improving global consensus. A major lesson of the Seattle ministerial was, as a consensus-driven institution, the WTO needs to find common ground that unites the interests of the industrial world with those of the developing world. We recognize that liberalized trade abroad can be vital to securing the means for less developed nations to implement policies for sustainable development and environmental protection. But these results are not a given. They do not occur automatically.

And glancing at the statement of Mr. Ebell, who is going to follow me, we would not agree with the idea that one somehow has to go first; and perhaps we can discuss that in the question period. We believe that they go together. They are mutually reinforcing.

And indeed the sustainability aspect is an important aspect of development, that you really are not going to have successful development unless it is sustainable. So we have proposed in recent months to both the administration and Congress that there be a systematic approach to reaching out to developing countries and to working with them to improve the capacity of those countries to help themselves; and we have proposed that that include evaluation of their needs, significant incentives and financial assistance to those countries, milestones and reporting and evaluation of results.

In conclusion, international trade is suffering a crisis of eroding public confidence. It is in the interest of everyone who wants trade to succeed to establish public confidence in the institutions and policies governing trade.

We are optimistic that this is possible because we believe that the agenda we have set forth is a straightforward, common-sense agenda that can provide the basis for consensus, not one that is terribly difficult if all concerned will work together. Thank you.

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

Ms. ROS-LEHTINEN. Thank you, Mr. Joffe.

Mr. Ebell.

STATEMENT OF MYRON EBELL, DIRECTOR, GLOBAL WARMING AND INTERNATIONAL ENVIRONMENTAL POLICY, COMPETITIVE ENTERPRISE INSTITUTE

Mr. EBELL. Thank you, Madam Chair; and thank you for inviting me to testify today. My name is Myron Ebell. I will just try to highlight a couple of aspects of my written testimony.

It seems to me that there is always a temptation to try to make trade into some—to try to moralize it, moralize it for whatever goal particular a group has. Now, some religious communities over the centuries have tried to do this within their own community, and that is their right. But to memorialize trade and make it compulsory for all of us is problematic, and that is what is at stake with the World Trade Organization and the attempt to link the environmental and labor issues into them. Because, of course, each one of those interests, the environmental interests and the labor interests, are an attempt to moralize trade on the basis of some interest of that group.

I think this was best put some time ago by Professor Deepak Wol, one of the world's largest development authorities. He teaches at UCLA but is a native of India. He was debating Ralph Nader on television, and he turned to him and said, so, Ralph, when you go to the butcher do you inquire as to the background of the butcher who is providing your meat? And Ralph Nader was apparently nonplused. And Deepak explained, what you are offering for the international trading system should be applied in your own life. That is, do you inquire as to whether this is a good family that is providing this meat and look at the farm that it has come from and if you agree with them politically and religiously and everything.

But that is not the purpose of trade, of course. The purpose of trade is to provide consumers with the cheapest and best goods possible. And there are many, many protectionist interests in the world that would like to do down consumers, make goods less af-

fordable and of less quality by protecting their own special interests; and that is the battle that the WTO has all the time. And so, therefore, I would like to suggest that importing two groups of protectionists into the WTO is a recipe for disaster, labor protectionist and environmental protectionist, because each one of these groups, their recipe for everything is to restrict trade in some way. That is in the way that they like.

Now, they have some charges against the WTO, that it is undemocratic, unaccountable and secretive and that it overturns national environmental standards; and I would like to address those.

The WTO is a club of sovereign nations that have joined up. Each one of these sovereign nations has a role to play and can negotiate there. Other groups that are not nations, such as the environmental groups, or, in the case of my organization, free market groups, we have every right to make ourselves heard within our own deliberative processes in our countries. And we do that.

Now, I should say that the environmental groups usually win, and the free market groups usually lose, but that is the way that the game is played. But what is it to import these groups and to give them a seat at the table, at the WTO? Well, it is to change the club into something very different, something that is not accountable to anyone. Because environmental groups, labor unions, even free market public policy institutes are not accountable. They work in secret. They are not democratically elected; and, therefore, they should mind their own business and stay out of the WTO. Now, they can make their views known, but they don't have a place. They are not members of the club, and they should not become members of the club.

Now, of course, some deliberations are secretive. All international negotiations have periods that must be secret because the nations that are doing deals are giving up some of the interests of some of the people in their own country in order to further what they feel is a larger national interest; and, of course, they have to be able to do that without having the world scrutinizing them. And I think opening up the deliberative processes of international negotiations is the way to spread strife and probably warfare, certainly civil warfare in the world. The idea that WTO overturns national and environmental standards, this is utterly false. The WTO in every one of its dispute resolutions has upheld national and forbidden extraterritoriality, and that is that we can export our standards and force some other country to abide by them as a condition of trading with us.

So it seems to me that all of the complaints about the WTO, which is certainly not a perfect organization, are largely baseless.

I would conclude with a couple of remarks with the practical problems of the environmental linkage, and I would like to quote from an editorial that appeared in the International Herald Tribune right before the WTO met. It is by Barry Akobundu, who is a colleague of mine at CEI who is an agricultural economist by trade and a Nigerian by birth. This is what she said from her perspective as someone from a poor and developing nation:

Increases in wealth will first provide families with basic necessities and only later with the disposal income to demand improvements in the environmental quality. Consideration of environmental issues in WTO trade talks threatens to restrain trade and progress in the 48 sub-Saharan countries. Detractors of free trade point to environmental degradation as a consequence of trade and want this to be a priority issue in trade negotiations. They would condition trade with countries of the region on environmental policies. Such linkage would make an acceptable set of environmental policies precede increased access to the markets of developed countries. But in a region in which the basic necessities of life are luxuries, that is at best unrealistic and at worst inhumane.

I think that fairly summarizes the situation between our environmental standards and those that are possible in the rest of the world.

Finally, I would bring up something that has only very marginally come up so far today and that is the claim that, without the ability to export our environmental standards and force them upon other countries, we will have a race to the bottom. That is to say, industries will move to those areas of the world that have the lowest environmental standards.

Well, first, there is absolutely no evidence of this, no factual evidence; and I have searched quite a lot.

Second, the environmental groups that push for environmental legislation in this country continually talk about how it won't be costly. That is, it will not impact industry in the way that industry claims that it is going to raise our cost of production. They continually say no, no, no, it will actually improve your performance by spending this money on pollution controls.

So I think I would conclude by saying that the threat to the world trading system is real. It is very serious. It is called linkage, and thank God for the developing nations of the world which almost unanimously and steadfastly oppose linkage because they understand what is at stake.

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

Ms. ROS-LEHTINEN. Thank you, Mr. Ebell and Mr. Joffe, for both of your testimonies. As you heard, the bells have rung, and we have a series of four votes, so that will keep us on the floor for a substantial period of time.

I would like to recognize Mr. Menendez to ask a concluding question, and I have a few questions, but I will give them to you in writing and perhaps you can respond.

Mr. MENENDEZ. Thank you. I also have more questions than I could ask, so I will submit them for you to answer as well.

Let me get this straight. The purpose of trade—I was trying to write your words down as you said them—is to obtain the cheapest and best goods possible. Is that a fair characterization of what you said?

Mr. EBELL. Yes.

Mr. MENENDEZ. So it is also fair to say that that purpose would be achieved regardless of how we seek to accomplish that goal?

Mr. EBELL. Could you repeat that?

Mr. MENENDEZ. The purpose of trade is the cheapest and best goods possible. It is the cheapest and best good possible however we can achieve that?

Mr. EBELL. As long as we pay for them, yes.

Mr. MENENDEZ. That would be the only qualifier?

Mr. EBELL. There may be some slight other qualifications, but yes, in a market economy, when you pay for a product, you get it.

Mr. MENENDEZ. So if the price of paying for that is our only qualifier, and listening to your comments about moralizing trade, I guess then it is OK to trade with those countries that imprison their people and use their prisoners for slave labor. I guess that it is OK to trade with those countries that Chernobylize their citizens; and I guess it is OK to trade with those countries that, in fact, would use children to create products. Because those ultimately would be the cheapest possible products that we would obtain and, of course, we would pay for them, but that would be OK?

Mr. EBELL. Yes, it seems to me that we do all of those things now that you have just listed. We do trade with countries that do all of those things.

Our belief is, first of all, that it benefits consumers in this country.

Second, that it is up to those countries to decide what sort of political system they want to have and what sort of laws governing production they want to have.

Third, it is the belief I believe of virtually every trade economist in the world that trade with repressive regimes has the effect of both helping the poorest people in those countries and also has the effect of liberalizing those regimes over time. This is not a hard-and-fast rule, but I think the people who have looked most seriously believe trade does good.

Mr. MENENDEZ. I have looked at it seriously, and I beg to differ with you. I don't believe that Americans generally want the cheapest price at any cost, including the sacrifice of a child or the imprisonment of people in order to achieve a benefit here in the United States. If they truly knew that was the case, I would venture to say on that score, or having a cleaner environment that they would mutually enjoy, that they would pay somewhat more not to get the cheapest product to their table or to wear a clothing article in that regard.

The suggestion that trade alone is going to lift all tides for the people here in this hemisphere of which nearly 50 percent live below the poverty level—trade has broadened the gulf between those who already have within those societies and those that do not. If you do not match it with development assistance in addition to trade, you do not lead to where you need to be.

I am really concerned about the view that neither environmental issues nor some of the issues in terms of labor—that our view is that, at any cost, as long as we pay for it and the cheapest price, if that is the standard of the United States of America, that is in my mind an appalling standard and one that does not sustain itself over time for our country for a policy and ultimately for the sustainability. I am not among those marching on the streets of Seattle who drowned you out, but I do believe that you cannot say that the only equation is the cheapest price. The cheapest price does not promote democracy, it does not promote sustainability and——

Mr. EBELL. You have made several points.

Ms. ROS-LEHTINEN. Mr. Ebell, I am afraid—if you can just take 1 minute each. We have 5 minutes to vote.

Mr. EBELL. First, I just suggest that trade embargoes don't have much impact. Are we hurting Saddam Hussein or the poorest people in Iraq? We are hurting the poorest people in Iraq.

Second, I have no problem not to buy products that are produced in countries which produce them in ways that I don't agree with. I make many of those choices in my personal life. But I don't want my country telling me what I can and cannot buy. I want that choice.

One more point. There are many other international forums for pursuing human rights, labor and environmental issues. We have hundreds of treaties governing national environmental issues. Don't mix up trade with environment.

Mr. MENENDEZ. Thank you. Thank God you are not in a country where you are sitting in jail.

Ms. ROS-LEHTINEN. Mr. Joffe.

Mr. JOFFE. It is not the law of the GATT or the charter of the WTO that anything goes. There are provisions in the charter that provide for exceptions, forced labor and for immoral aspects of trade. The debate is somewhere else. The debate is how those are being interpreted. And the only other point in the shortness of time that I would say is that it is impossible to avoid some discussion of this in the WTO because the existing environmental rules are sometimes challenged under the WTO charter, and it is at that point that a deliberative process has to take place as to whether the exceptions apply. So you can't extricate them, but if the countries of the world can move in another forum and provide a rule that applies to particular cases, we are all for that.

Ms. ROS-LEHTINEN. Thank you, Mr. Joffe; and thank you, Mr. Ebell.

The Subcommittee is now adjourned.

[Whereupon, at 3:50 p.m., the Subcommittee was adjourned.]

A P P E N D I X

JUNE 21, 2000

STATEMENT OF

MILDRED O. CALLEAR
VICE PRESIDENT AND TREASURER
OVERSEAS PRIVATE INVESTMENT CORPORATION

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY AND TRADE
COMMITTEE ON INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES

JUNE 21, 2000

Madame Chairwoman, on behalf of OPIC President and CEO George Muñoz, I want to thank you for the opportunity to testify for the Overseas Private Investment Corporation (OPIC) about the relationship between international trade and the environment. The leadership and bipartisan approach taken by you and Congressman Menendez toward this issue is good for the environment and good for the developing world.

Congress Gave OPIC An Environmental Mandate in 1985.

With its multiple mandates to support host country development and protect the environment, while promoting U.S. competitiveness, exports and jobs, OPIC occupies a critical nexus in the trade-environment arena. Since 1985, when Congress added environmental provisions to OPIC's statute, we have carefully managed the challenging task of balancing these diverse interests.

OPIC's development mandate is consistent with the Administration's view that economic growth must be pursued in the broader context of sustainable development. In the long

run, the liberalization of trade and investment on the one hand and environmental protection on the other are mutually supportive objectives.

OPIC Policies Set Out in Environmental Handbook

OPIC's approach to environmental management is fully articulated in OPIC's Environmental Handbook issued in April 1999 and available on OPIC's website at http://opic.gov The Handbook was finalized after a year-long process of public notice and extensive comment involving clients of OPIC, environmental non-governmental organizations and the general public. Notable features of the new OPIC Environmental Handbook include:

- Full disclosure of environmental impact assessments for environmentally sensitive projects;
- A 60-day public comment period prior to final OPIC commitment to an environmentally sensitive project;
- Confidential treatment of sensitive business information;
- Categorical prohibitions on projects having unacceptable environmental impacts that are beyond mitigation;
- Establishing specific contractual conditions for OPIC support of projects based on current World Bank Guidelines; and
- Monitoring of project environmental impacts, including independent third-party auditing of sensitive projects.

Since issuing the Environmental Handbook, OPIC has implemented these policies in dozens of projects, demonstrating that environmentally sensitive ventures can be supported, and even improved, with the right mix of OPIC due diligence and investor commitment.

OPIC Demonstrates Effectiveness of Environmental Monitoring

Among these, one recent 1999 project demonstrates the positive outcome of meeting the environmental challenges associated with development. The Cuiabá Integrated Power Project in Bolivia and Brazil ("the Cuiaba project") has engaged the full range of OPIC's environmental policies and procedures and provided an unprecedented opportunity for public participation and dialogue in project assessment and development. The project involves the construction of a 624-kilometer underground natural gas pipeline from southeastern Bolivia to fuel a 450-megawatt combined cycle power plant in Cuiaba, Brazil. By replacing diesel fuel with natural gas, the project will provide a reliable source of clean energy for Brazil, while, at the same time, reducing the need for local residents to harvest timber for fuelwood, which is a major source of deforestation in the region.

Before approving the project, OPIC required the sponsors to re-route the pipeline to avoid ecologically sensitive areas. Furthermore, to ensure that the project met all of the conditions placed on OPIC support, OPIC directed an unprecedented on-site monitoring effort, which has continued through the life of the project and makes use of the most advanced technology to measure and manage project impacts.

Throughout this process, we have engaged the public and the NGO community in proactive dialogue, including an extensive and up-to-date web page dedicated to the Cuiaba project on OPIC's website in both English and Spanish. None of this would have been possible without the commitment of the sponsors, Enron Corporation, Shell International and Transredes, to OPIC's high environmental and social standards and to a transparent process of public communication. The project sponsors have committed up to $20 million of their own funds towards a regional forest conservation program. At the same time, we found a lack of consensus in the scientific and policy community regarding the definition of "primary tropical forests" and are now engaged in an interagency review to consider this issue.

OPIC's Leadership has Balanced Sound Environmental Practices with Good Business

OPIC's experience in implementing this and many other projects, has indicated to us that, under the leadership of President and CEO George Muñoz, we have been able to strike the right balance between the need to protect the environment while, at the same time, enhancing our primary mission of promoting U.S. private investment in a competitive international marketplace.

When we issued the Environmental Handbook, OPIC was the only bilateral investment finance and insurance agency to have adopted these particular environmental safeguards. In doing so, we were sensitive to the concern of some of our clients that U.S. companies

would risk putting themselves at a competitive disadvantage in the absence of complementary safeguards on the part of our counterpart bilateral agencies in other industrialized countries. At the same time, we saw our action, as well as that of the Export-Import Bank at about the same time, as an opportunity to exercise U.S. leadership in promoting environmentally responsible sustainable investment and export financing.

Since 1999, a number of OPIC's counterpart investment insurance and financing agencies have begun to adopt substantive environmental guidelines and procedures. Although most of them still have a long way to go and much remains to be accomplished in the effort to achieve common environmental standards, we believe that our leadership is welcome and is already helping to level the playing field.

OPIC Helps American Companies Compete for Environmentally Beneficial Investment Opportunities

We have also sought ways to make OPIC programs more relevant to the commercial opportunities available to companies in the rapidly growing environmental goods and services sectors in developing and emerging markets.

Just last week OPIC's Board of Directors approved $200 million in political risk insurance for an investment that will dramatically improve clean air for a community in Bulgaria. The project by Entergy Power Group of New Orleans involves the modernization and rehabilitation of the Maritza III East thermal power plant in Bulgaria. As a direct result of Entergy's investment, atmospheric emissions from the plant will be

reduced dramatically with significant benefits to the health and well-being of the local population as well as the supply of electric power to meet rapidly growing demand. To support this investment, U.S companies are expected to export $24 million in U.S. goods and services, nearly all from the environmental sector. In addition, the rehabilitation of the Maritza plant will enable Bulgaria to make good on its commitment to phase out reliance on a technologically obsolete and unsafe Soviet era nuclear facility.

Globally, OPIC has sponsored three environmental investment funds, totaling nearly $500 million in equity capital, dedicated to investing in this rapidly growing commercial sector. One of these funds is fully invested, with the other two making investments in the supply and distribution of clean energy, water supply and waste treatment.

Small Business Can Be Good for the Environment Too

OPIC is also looking to small business to promote innovative environmentally sustainable development projects. OPIC announced recently during World Environment Week that it has partnered with USAID through the US-Asian Environmental Partnership to finance a $1 million project to support environmentally friendly small and medium-sized enterprises in the Philippines. What is unique about this project is that the sponsor, Counterpart, International, a U.S. non-profit, will invest through Enviro Ventures, Inc., a for-profit subsidiary, in a number of small, self-sustaining companies in activities such as eco-tourism, energy-efficient housing and water supply. OPIC anticipates other such partnerships where grant funds can be used to leverage commercial financing from OPIC and other lenders.

Conclusion

In conclusion, there are also exciting opportunities for U.S. companies and financial institutions in the global environmental market. With your support, OPIC is looking forward to playing an even greater role in helping U.S. companies take advantage of these opportunities.

Again, thank you, Madame Chairwoman; I will be pleased to respond to any questions.

Statement of
Barbara Bradford
Deputy Director
U.S. Trade and Development Agency
Before the
Subcommittee on International Economic Policy and Trade of the
House Committee on International Relations
June 21, 2000

Thank you Chairwoman Ros-Lehtinen, Congressman Menendez, and Members of the Committee for inviting me to testify on behalf of the Trade and Development Agency regarding trade and the environment. As our name suggests, TDA targets projects that promote trade while assisting low and middle-income countries with their developmental infrastructure priorities. With international political pressure mounting in recent years for countries to develop in an environmentally responsible manner, U.S. exports in environmental technology have nearly doubled in the last four years. Despite the growth in this market, however, U.S. companies face extremely tough foreign government subsidized competition. As a result, environmental infrastructure projects are increasingly on the agenda for TDA funding consideration, and have become an important mainstay of TDA's program. To help our industry respond to this competition, TDA is doing its part to position U.S. companies in some of these major environmental projects so our envirotech exporters stand a better chance of winning the lucrative implementation contracts. My testimony today will focus on how TDA has responded to the worldwide environmental trends

presenting export opportunities for U.S. companies, as well as some examples of the environmental projects in which we have invested.

Worldwide Environmental Trends

Let me begin by discussing some of the trends we have observed in trade and the environment around the world. Whether it is solid and hazardous wastes or air pollution and harmful emissions, the world community now recognizes that environmental mismanagement in one country can have negative global or regional consequences. Although the initial investment in pollution mitigation and prevention technologies can be costly, failure to do so can result in environmental problems with much higher costs, such as public health crises and natural disasters. Recognizing this important fact, many countries have established better monitoring systems and have begun imposing penalties on those companies that are not complying with their new, strengthened environmental regulations.

In Asia, for instance, the Philippines, Thailand, Korea, Indonesia, and Malaysia have ambitious investment plans to provide safe drinking water and to reduce air pollution. Given the somewhat limited resources of the public sector, governments are encouraging the private sector to undertake many of these investments. As market-based decisions prevail over political ones, the growing

trend toward privatization in other sectors has benefited U.S. companies. We believe that the privatization of environmental service projects in Asia will be a similarly positive development for U.S. envirotech exporters.

As in Asia, there is intense political pressure for the new European Union accession countries to adopt the strong environmental regimes of their Western European counterparts. Because of the enormity of the task at hand in cleaning up the notably polluted sites within these former Soviet-bloc countries, TDA is taking steps to assist U.S. environmental companies in challenging their Western European competition for these environmental projects. Here again, we believe the trend toward privatization is beneficial to U.S. companies. The Western Europeans are pumping billions of dollars in environmentally-targeted grant assistance into the EU-accession countries, which essentially tilts these primarily public sector projects toward our European competitors. As a result, TDA is focusing heavily on private sector projects, because these often are won by U.S. companies.

To encourage this, TDA hosted a "U.S. Environmental and Process Technologies Conference" in Budapest, Hungary, last Fall. Conferences are particularly helpful for small businesses -- and many environmental firms fall in this category -- because their limited business development budgets make it difficult for them to identify potential opportunities. Our conferences help with this problem

because we essentially have already done the business development legwork for them. So, for the price of an airline ticket and a nominal fee, 56 participating U.S. companies were able to meet one-on-one with local project sponsors to get detailed information about more than 30 major projects. The projects were focused in the sub-sectors in which U.S. businesses are the most competitive – industrial remediation, process control technology, energy efficiency, and wastewater technology. Since that conference, we have already funded half a dozen feasibility studies for projects that were profiled at that event.

Madam Chairwoman, water is one of the major areas of environmental concern in Africa and the Middle East. Over half of the African population is without clean drinking water and two-thirds lack the means to safely dispose of wastewater. In the Middle East, water scarcity -- exacerbated by recent droughts -- has become one of the most contentious issues in the region. Although the Europeans have historically dominated the environmental sector in this region, TDA is taking aggressive steps to counter this competition.

Toward that objective, last October, we hosted the "Africa and Middle East Water Conference" in Long Beach, California. This conference highlighted opportunities spanning the water sector, including water and wastewater treatment plants, desalination facilities and pumping stations. More than 30 project sponsors from throughout the region provided U.S. companies with the

latest information about these opportunities. Resulting from that conference, we are currently considering funding several feasibility studies in Angola and Lebanon. Here again, the water sector in Africa and the Middle East is another example of TDA capitalizing on a win-win situation: not only are we able to assist regions in addressing their thorny environmental problems, we also help U.S. companies establish a foothold against their competition in this lucrative market.

Emergency Management Initiative

Let me turn for a moment to a newly-identified sector that also falls within the environmental category -- emergency management and preparedness. Obviously, not all environmental calamities are manmade, so we must make efforts to deal with natural disasters when they occur. We have all been moved by the destruction and despair brought about by events such as earthquakes, forest fires, floods, and typhoons. Although victims of these disasters are worthy recipients of humanitarian assistance, we are also seeing long-term strategies emerge to help these countries better prepare for such horrific events so that their crippling effects can be mitigated. Institutions such as the World Bank -- tired of watching decades of loans and advances in development literally wash away in floods or crumble in earthquakes -- are seeking ways to reduce the vulnerability in their development assistance. In the last two decades, the World Bank has

lent over $14 billion dollars for disaster preparedness, mitigation, and response, with this trend expected to increase rapidly.

As disaster risk management becomes an integral part of sustainable development, U.S. firms are well positioned to take advantage of these market opportunities. The U.S. industry is a world leader in emergency management, information technology systems, weather forecasting systems, telecommunications and a wide variety of emergency response equipment. With key sources of funding -- such as the World Bank -- already identified, the potential for significant U.S. exports in this area is impressive. In Asia alone, Korea, Indonesia, Thailand and Taiwan have actively sought assistance for emergency management development. One ministry in Korea has already earmarked over $40 million for developing a disaster management system. Countries throughout Latin America and Europe have been walking this same path of prevention. The Federal Emergency Management Agency (FEMA) has been active in developing this industry in Peru, Mexico, Argentina and Colombia. Even prior to the latest devastating earthquakes in Turkey, the country had been aggressively pursuing the development of this sector.

To capitalize on this heightened interest, TDA has now hosted several events designed to showcase U.S. equipment and expertise in this new sector. Late last year, we hosted Earthquake Reconstruction Symposia in Ankara and Istanbul,

Turkey. This Spring we held our first major event -- the Asia Regional Emergency Management Conference. In addition to the commercial element of this conference, a strong policy component was added, thanks in part to strong cooperation from FEMA and other partner agencies. This Fall, TDA will sponsor a similar event targeted toward Latin America.

Examples of Environmental Projects

TDA spends close to 20% of its budget each year on environmental projects ranging from water and wastewater to air quality to industrial efficiency to clean energy. Last year alone, we invested over $10 million dollars on over 50 feasibility studies and other related activities that had a strong environmental benefit, with projects running the gamut from smaller water systems to conversions of huge power plants from heavily polluting coal to natural gas. This year, in India alone, we will probably invest in over a dozen environmental feasibility studies. In addition, all of our feasibility studies in every sector examine the environmental implications of projects in which we invest to ensure that where the environment is concerned, we do no harm.

I would like to briefly discuss three different environmental projects in which we were involved in the past, the results of which we are seeing today. Keep in mind that the infrastructure business is long-term in nature, so frequently the

implementation of a project occurs years after our grant for a feasibility study was awarded.

The first example I would like to mention is an oil pit remediation project in Venezuela that we funded a feasibility study for in 1993. This is a great little success because it is the story of a small business in California with new, high tech proprietary technology and their efforts to introduce this technology into the marketplace. Venezuela has one of the more progressive environmental regimes in Latin America, which has caused environmental issues to be a major concern in industrial development. As a result, the state-owned petroleum company has taken steps in recent years to address environmental problems caused by the oil industry -- in particular, the 15-25,000 oil pits in the country. The U.S. environmental remediation technology company teamed up in a joint venture with a Venezuelan firm to provide the remediation services for the Los Nisperos oil pit. This involved the introduction of centrifuging and stabilization technologies worth approximately $5 million, so far. As this particular oil pit is viewed as a pilot project, the export potential is expected to go much higher in the years to come.

At the other end of the spectrum is one of TDA's biggest success stories: almost $200 million in exports have been associated with a feasibility study we funded for a Mexico City Air Pollution project in the early 1990s. It is no secret that

Mexico City has faced a serious air pollution problem with untold health and economic costs. In the early '90s, the Mexican Government made a major commitment to begin addressing their pollution problems. Through our trust fund at the World Bank, we provided a grant for the major feasibility study coordinating their pollution mitigation efforts. This investment has paid off handsomely with the export of industrial equipment for air pollution control, vapor recovery units, buses, filters, measurement equipment, and services. Again, this project was a huge success for U.S. exporters, while tackling one of the more infamous environmental problems in the world.

For my final example of a TDA environment activity, I would like to briefly describe a project to reduce harmful power plant emissions in Turkey. TDA provided a grant in 1997 to support a U.S. company's bid to conduct a flue gas desulfurization project for the Kemerkoy Power Plant. This project has been an opportunity to showcase U.S. air pollution mitigation technologies that could be used at other power plants across Turkey. To date, not only has this project resulted in almost $60 million in exports, but U.S. firms are now positioned to win contracts for other Turkish power plant projects with U.S. export potential exceeding $135 million. This flue gas desulfurization equipment will almost completely eliminate emissions of sulfur dioxide, as well as other harmful gases, providing a significant boost to Turkey's efforts to address their significant air

pollution problem. The environmental benefits of these projects, therefore, cannot be overstated.

Conclusion

Madam Chairwoman, again and again as we have considered TDA's involvement with environmental projects we find that they are win-win situations. Not only do U.S. firms have lucrative export opportunities and the ability to introduce their cutting edge technologies into new markets, but the developing countries in which we operate are able to address their pressing environmental problems. While there is no doubt that these are excellent opportunities for U.S. companies, we must not lose sight of the fact that our companies are facing extremely tough foreign competition. In fact, worldwide, the environmental industry ranks near the top in terms of the government support foreign companies receive -- making the work of TDA and its sister export promotion agencies all the more vital for our envirotech firms. By responding to the trends driving environmental decisions in the various regions of the world, we believe that we are making a significant contribution in positioning U.S. firms to capitalize on these opportunities, while helping countries take important steps on the road to environmental progress.

Thank you very much for your time and attention. I am happy to answer any questions that you may have.

STATEMENT OF DAN RENBERG
MEMBER, BOARD OF DIRECTORS
EXPORT-IMPORT BANK OF THE UNITED STATES
BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY AND TRADE
OF THE HOUSE COMMITTEE ON INTERNATIONAL RELATIONS
JUNE 21, 2000

Thank you, Chairwoman Ros-Lehtinen, Congressman Menendez, and Members of the Subcommittee for inviting me to testify before you today on behalf of the Export-Import Bank (Ex-Im Bank) of the United States. I wish to express our agency's appreciation for the support your Subcommittee has provided Ex-Im Bank in the past.

I commend the Subcommittee for its decision to hold an oversight hearing on the nexus between trade and the environment. As a member of the Board of Directors of Ex-Im Bank, I am statutorily charged with overseeing what we refer to as the Bank's "environmental portfolio" and spend much of my time exploring this very subject. To its credit, Congress has mandated the development of Ex-Im Bank programs regarding the environment; and I believe it is very useful to review these matters with both the House and Senate in advance of our reauthorization next year.

Recognizing that my time before the Subcommittee is necessarily brief, I will briefly outline for you our efforts to increase the level of environmentally beneficial exports from the United States. I will also provide some examples of how Ex-Im Bank's environmental procedures and guidelines continue to mitigate the environmental impact of larger scale projects around the world while at the same time protecting the ability of American firms to compete globally.

To give you an idea of the scope of our involvement, in the past five and a half years, Ex-Im Bank has financed transactions including an estimated $2.7 billion in environmentally beneficial export value, including short-term export credit insurance as well as medium-term and long-term loans and guarantees. This figure includes small business sales of water and air purification equipment as well as our support for the construction of multi-million dollar clean burning natural gas power plants, which reduce foreign emissions related to combustion of coal and oil.

ENVIRONMENTAL EXPORT MARKETS GENERALLY

Why is Ex-Im Bank concerned about the environment and our exporter's relationships in other countries – because the U.S. environmental industry generates only 9 percent of its revenues from exports, compared to 15-20 percent for their major competitors in Japan and Germany. A recent study by the environmental industry listed a number of reasons explaining this lag in revenue. The U.S. export industry is heavily represented by small and medium-size companies. These companies perceive the risks of international business as well as the higher costs of developing export sales as impediments to increasing their export sales further.

Since 1991, there has been substantial compliance with the environmental regulations that Congress and the Environmental Protection Agency have imposed on public and private entities in the United States. From 1985-1990 industry-wide annual growth in the U.S. market for environmental goods and services ranged between 10 percent-15 percent. From 1991-1996, the growth rate declined to 1 percent to 5 percent. The U.S. environmental industry now finds itself at a critical juncture. While the U.S. market is estimated to grow 1.8 percent over the next two years, Latin American and Asian markets are projected to grow at annual rates of 12 percent and 10 percent, respectively. This means that future growth lies abroad – exports. Clearly for U.S. companies, the action is in international markets.

ENVIRONMENTAL EXPORTS PROGRAM

As you may know, in 1994 Ex-Im Bank initiated a special "Environmental Exports Program" that provides enhanced levels of support for a broad range of environmental exports. The program demonstrates Ex-Im Bank's resolve to reach out to all exporters of environmental products and services whether they are small, medium or large. The major features of the program are our ability to maximize repayment terms permitted under the Organization for Economic Cooperation and Development (OECD) guidelines, capitalization of interest during construction, and local cost coverage. Ex-Im Bank has developed this program in order to improve the competitive position of U.S. environmental exporters. Other key undertakings in the environmental exports context include our initiatives in China and India under which we will finance multiple clean energy and energy efficiency projects in those countries.

I believe that Chairwoman Ros-Lehtinen would be particularly pleased to learn about our experience with *Kimre, Inc. of Miami, Florida*, a small business manufacturer of environmental control filters. This company is using Ex-Im Bank's *short-term environmental export insurance policy* to expand its export sales. With Ex-Im Bank's insurance, *Kimre, Inc.* is able to offer 60-days open account credit to customers in Europe and throughout the world. This offers two important benefits: (1) the insurance enables Kimre to offer reasonably priced credit to foreign customers, replacing its previous insistence on letters of credit, which are typically expensive and time consuming; and (2) Ex-Im Bank's insurance on their foreign receivables enables Kimre's own bank to increase the company's credit lines, a key step in growing their business.

In another case, *Bioclimatic, Inc.*, a small business manufacturer of air purification equipment in New Jersey, is using Ex-Im Bank's insurance program to offer 60-days open account credit to nine customers in the United Kingdom, France, Italy, United Arab Emirates,

and South Korea. When *Bioclimatic, Inc.* first came to Ex-Im Bank in 1997, they were exporting to only two clients on credit terms.

In August, 1998, *Senstar Capital Corp.* of Pittsburgh, Pennsylvania used Ex-Im Bank's medium-term insurance to finance the purchase of $400,000 worth of wastewater treatment equipment for *ECOPRENEUR, SA* of Buenos Aires, Argentina. Ex-Im Bank support was requested in this deal because U.S. commercial banks are generally unable to provide medium-term financing to Argentina, while medium-term credits from Argentine banks are prohibitively expensive if available at all. This financing enabled *Ecopreneur, SA* to build a private wastewater treatment facility in Buenos Aires province with 4-year repayment terms and a fixed interest rate of 7.5 percent. Ex-Im Bank's support in this case enabled five U.S. small businesses, including *Parkson Corp.* of Medley, Florida, to expand their export sales.

SOUTH-EAST EUROPE RECONSTRUCTION CREDIT INITIATIVE

In our effort to broaden our reach in emerging markets, Ex-Im Bank continues to seek out partners who can assist in the promotion of US environmental exports. In early May, I traveled to the Czech Republic and Hungary in order to raise awareness of our environmental export program. With these and other countries seeking accession to the European Union, environmental cleanups and proactive environmental protection measures present a wonderful marketing opportunity for American firms.

The primary purpose of that trip was the signing of an agreement with the Hungarian Ex-Im Bank establishing our South-East Europe Reconstruction Credit Initiative. Under this initiative, Ex-Im Bank and the Hungarian Export-Import Bank will work together to identify environmentally beneficial projects in countries such as Croatia, Romania, and Bulgaria for joint

support. We view Hungary as a particularly useful gateway into that region and look forward to expanding our partnership with our sister agency in Budapest.

An example of how this would work is that a Hungarian environmental consulting firm might bid on a wastewater treatment project in Croatia, incorporating U.S. technologies and equipment. We could finance the U.S. exports and Hungarian Ex-Im would provide financing to the Croatian buyer to cover the Hungarian goods and services. Such projects could qualify for our usual environmental financing enhancements.

To implement the May agreement, I have met with the Ambassadors to the United States from Hungary and Croatia; and Ex-Im Bank is sending a senior trade finance specialist to the region over the next few months to identify potential projects under this program.

MAKING A DIFFERENCE: OUR ENVIRONMENTAL GUIDELINES AND PROCEDURES

Ex-Im Bank's Charter, revised by Congress in 1992, places great importance on balancing our mission to promote exports with the need to protect the environment. Our objective is to maintain U.S. exporters' competitiveness in the global marketplace while ensuring that the projects supported are environmentally responsible. Board Members and Ex-Im Bank staff spend countless hours trying to ensure that projects meet our Environmental Procedures and Guidelines, which were last updated and approved by the Board of Directors in April, 1998. If a project does not fall within our guidelines, we work assiduously with exporters and project sponsors to identify a means of meeting those requirements. Our Charter permits Ex-Im Bank's Board of Directors to decline to finance an export transaction if the Board determines that this is appropriate in light of the project's serious adverse environmental effects. But, history has shown that we are usually able to mitigate environmental harms and save the exports.

To guide exporters, detailed environmental guidelines are available for assessing potential environmental impacts in the following areas: air quality, water use and quality, management of hazardous and toxic materials and waste, natural hazards, socioeconomic and sociocultural effects, ecological effects and noise.

Our Environment and Engineering Division staff are available to counsel applicants, especially small and medium-sized businesses, on how to comply with Ex-Im Bank's environmental procedures. Sometimes in this process, we can help reshape a project or transaction for the benefit of the environment and the U.S. exporter.

For example, a U.S. supplier came to Ex-Im Bank to finance the sale of a gas turbine generator to be used in an existing power station in Venezuela. Because the Government of Venezuela had no guidelines on nitrogen oxide (NOx) emissions, the buyer was not required to control this harmful emission. However, Ex-Im Bank convinced the foreign buyer that it should amend the work contract to meet Ex-Im guidelines for NOx emissions. Ex-Im Bank offered the buyer financial incentives associated with our environmental export program if the buyer agreed to upgrade the plant with special low-NOx burners. More important, we convinced the buyer of the benefits of the pollution control equipment by explaining that it could stand as an example of a utility that endorsed "industrial-best" environmental practices. Also, this upgrade would negate the need to reinvest in the equipment in the future when Venezuela would likely introduce NOx regulatory measures. Ultimately, the buyer accepted Ex-Im Bank's offer, upgraded the plant, and went on to improve its public relations position within the Caracas area.

Another such example is a coal-fired power plant in Israel. During 1998, Ex-Im Bank learned that a large coal-fired power plant would be designed to dump ash from its boiler units into the Mediterranean. Ex-Im Bank responded quickly, stating that it would have to withdraw its financing offer unless plans for the disposal of the ash were changed. Following lengthy negotiations, the electric utility in Israel agreed to embark on a process to manage the ash disposal from the plant in a manner consistent with Ex-Im Bank guidelines. It opted to begin an ash-recycling program that made use of the waste product for building and road construction materials and to dispose of the remaining ash in an environmentally acceptable waste disposal facility. Ex-Im Bank involvement in this project helped prevent further pollution of the Mediterranean.

It is particularly timely to note that this week, in Paris, the Export Credit Working Group of the OECD is holding its second Special Session on the Environment as part of the effort to establish a level playing field on environmental matters among the export credit agencies (ECAs) of the industrialized nations. As you may know, under our Chairman, Jim Harmon, the Export-Import Bank has led the effort to gain cooperation among export credit agencies on common environmental guidelines for evaluating projects. It has not been an easy task to convince other ECAs that we can develop an economically viable means of supporting the environment while fulfilling our mission as export credit agencies. However, in 1999, Ex-Im Bank successfully negotiated an agreement among members of the OECD Export Credit Group that encourages export credit agencies to share environmental information voluntarily on a case-by-case basis for large, multi-source projects in environmentally sensitive sectors. This is an important step; and we are encouraged, and committed to continuing to push for further initiatives. Both Chairman Harmon and I believe that ultimately the G-7/OECD Export Credit

Agencies must harmonize their environmental policies. Working with our colleagues from the Treasury and State Departments, Ex-Im Bank is committed to this goal.

CONCLUSION

Simply put, protecting the environment around the globe is not only the right thing to do for our children, grandchildren and their children, but it can be good business. American firms are regarded as leaders in the abatement, control, or prevention of air, water, and ground pollution and Ex-Im Bank is working closely with them to capitalize on efforts abroad to take the environment into account as economic growth occurs.

This Subcommittee and the Congress as a whole has an important role to play in harmonizing the efforts of the various trade agencies and providing the resources we need to fulfill our critical mission. With your help, Ex-Im Bank will be well-positioned to continue to advance the cause of promoting exports while at the same time enhancing environmental protection throughout the world.

Once again, I appreciate your allowing Ex-Im Bank to make this presentation, and I would be glad to answer any questions the Subcommittee may have.

Statement
of
Paul L. Joffe
Associate Director for Advocacy
National Wildlife Federation

Subcommittee
on
International Economic Policy and Trade
of the
Committee on International Relations
United States House of Representatives
June 21, 2000

Good afternoon. I thank the Committee for the opportunity to appear here today.

I am Paul Joffe, Associate Director for Advocacy at the National Wildlife Federation, the nation's largest conservation, education and advocacy organization.

For nearly ten years, we have been involved in the development of United States trade policy. Our members are America's mainstream and main street conservation advocates who share a commitment to United States leadership in building a global economy that protects the environment while raising living standards for all people throughout the world.

The evidence of the need to ensure that trade and environment policy are mutually supportive continues to increase. At the same time, public confidence in trade rules, and in multilateral institutions generally, has been shaken. We believe this is because of a growing sense that these institutions do not reflect the public interest regarding the environment and other democratic values. The question before us is whether we can establish a policy that will restore public confidence.

In response to the Committee's focus of inquiry for this hearing, I would like to outline for you three key components of a United States trade policy we believe can advance both trade and environmental protection in a way that will make these goals mutually reinforcing.

I. Openness and Accountability

The first step towards achieving a comprehensive United States trade and environment policy is a recognition that the old, exclusive and secretive deal making process of trade negotiations must give way to an inclusive, transparent, and democratic process. The negotiating strategies pursued by the United States and its trading partners must reflect this new reality. At the beginning of the twentieth

century, President Wilson denounced secret deals, secretly arrived at. It is past time to follow through with a process that takes fully into account the views of developing as well as developed countries and of citizens and citizen groups as well as those of industry and government officials from all countries. The era of international trade negotiations being insulated from public concerns, including respect for the environment, is over.

A new era of openness in U.S. trade policy development should include key reforms in the processes governing U.S. challenges to foreign environmental laws and the current trade advisory committee system. Specifically,:

- Prior to any action initiated by the U.S. against a foreign environmental measure, other executive branch agencies with environmental protection and conservation responsibilities, in addition to USTR, must play a major role and Congress and the public should be notified.

- The advisory committees need to be more open, more balanced, and more active contributors to the implementation and evaluation of U.S. trade policy.

- At the WTO, the U.S. should re-double its efforts to derestrict documents, panel reports and meeting minutes as well as to open up General Council sessions, WTO Committee meetings, and dispute settlement panels, including by securing a role for NGO amicus briefs in WTO disputes.

II. Trade Liberalization and Environmental Protection Must Go Hand-in-Hand

In Seattle at the WTO's Third Ministerial, and elsewhere, the National Wildlife Federation has used every constructive means available to improve the WTO, not to disparage it. We will continue on that course.

We want the international trading system to succeed. We also want trade to fulfill its true potential. We want trade to deliver on its promise of improving our quality of life. We want trade to raise living standards, including respect for conservation values throughout the world.

To achieve this goal the National Wildlife Federation has established an agenda for environmentally responsible trade. The outlines of that agenda can be stated simply:

- The WTO should recognize legitimate national and international environmental standards. The United States must assert international leadership in negotiating and ratifying multilateral environmental agreements, such as the Inter-American Convention for the Protection and Conservation of Sea Turtles now pending before the Senate. There is widespread support for this Convention and it provides an opportunity for the U.S. to exercise leadership on a

cooperative approach to reconciling trade and environment goals.

- New trade agreements should include environmental assessments. We are supportive of a current Executive Order requiring environmental reviews of major trade agreements. However, the details of implementation are important. We welcome Congressional leadership to ensure immediate and full implementation of this important environmental assessment initiative. A comprehensive environmental review of trade agreements should promote:

  - a new approach to the development of United States trade policy, fully integrating environmental concerns in trade liberalization through an environmental review process initiated as early as possible in the "pre-negotiation" stage of trade negotiations.

  - environmental reviews of all major trade agreements, identifying environmentally preferable outcomes from trade liberalization, assessing global impacts, recommending corrective actions, and recognizing the need for specific capacity-building assistance in developing countries.

  - broader participation, including involvement of the public, Congress, and executive branch agencies with environmental responsibilities, in the development of a more balanced United States trade policy through a timely, open, transparent, and responsive environmental review process.

- Individuals and nations should be able to take into account the environmental effects of how imports are produced.

- The WTO should adopt modern standards of openness.

III. Global Consensus

A major lesson of the Seattle WTO Ministerial is that as a consensus driven institution, the WTO must find the common ground that unites the interests of the industrialized world with those of the developing world.

We recognize that liberalized trade abroad can be vital to securing the means for less developed nations to implement policies for sustainable development and environmental protection. But these results are not a given. They do not occur automatically.

We believe that representatives of the non-governmental community, Members of Congress, the Administration, and the business community all share responsibility to reach out to developing countries through capacity-building and other efforts to achieve common ground.

In recent decades, in response to overwhelming public opinion favoring environmental protection, and with bipartisan support, we have put in place in the United States important safeguards for the environment. It is now well known that because of globalization, we stand to lose much of the ground we have gained. Clean water and air, climate change, land use, migratory species, invasive species, biodiversity, and other issues are now global concerns.

The plain fact is that the well-being of the people of each nation now depends on that of each other nation when it comes to the environment. As a result, it is no act of charity but in the interest of each to seek environmental improvement for all.

In recent months we have urged this point before both the Administration and Congress. We have been told that efforts exist to assist environmental performance in other countries. But ad hoc and anecdotal will not do. We have called for a systematic program to include evaluation of needs, significant incentives and financial assistance, milestones, and reporting and evaluation of results, pursuant to a cooperative process involving nongovernmental organizations as well as foreign governments.

We have also advocated a systematic effort to assess and improve international environmental performance. A plan to do so might include initiatives to achieve results through diplomacy and through trade law remedies. But it might also include capacity building to improve enforcement and environmentally favorable technology transfer. Again, we know of anecdotal initiatives, but what is needed is not retail help for the environment, but wholesale efforts, at least as systematic as what we do on trade barriers and on human rights.

Conclusion

International trade is suffering a crisis of eroding public confidence. It is in the interest of everyone who wants trade to succeed to establish public confidence in the institutions and policies governing trade.

We are optimistic that this is possible because we believe the agenda we have set forth is a straight-forward, common-sense agenda that can provide the basis for consensus. We believe that it is possible to avoid the alternative – continued erosion of confidence in the global trading system. But to do so, we must learn again on the global stage what we have begun to learn at home: Not only is it possible to have both economic growth and environmental safeguards. Strengthened safeguards for the environment are essential to maintaining confidence in and support for economic institutions.

Thank you.

COMPETITIVE ENTERPRISE INSTITUTE

TESTIMONY
OF
MYRON EBELL

ON
INTERNATIONAL TRADE AND ENVIRONMENTAL PROTECTION

BEFORE THE
U. S. HOUSE OF REPRESENTATIVES
COMMITTEE ON INTERNATIONAL RELATIONS
SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY AND TRADE
HONORABLE ILEANA ROS-LEHTINEN, CHAIRMAN
21ST JUNE 2000

Chairman Ros-Lehtinen, thank you for the invitation to testify here today on the important topic of the connections between international trade and environmental protection. My name is Myron Ebell. I am director of international environmental policy at the Competitive Enterprise Institute (CEI), a non-profit and non-partisan public policy institute dedicated to advancing the institutions of liberty.

CEI has developed a good deal of expertise over the past decade on international environmental and trade-related issues, particularly under my predecessor, James M. Sheehan, and our chairman, Fred L. Smith, Jr. As part of my testimony today, I am submitting several relevant articles by CEI staff and by Distinguished Fellow Jack Kemp.

CEI has participated as an accredited NGO in a number of international negotiations, including the Rio Earth Summit, the Kyoto Protocol, CITES, the Cartagena Protocol, and the World Trade Organization. Last year, CEI joined a new international NGO, International Consumers for Civil Society (ICCS), which, under the chairmanship of Frances B. Smith, president of Consumer Alert, has brought together a number of free market NGOs from around the world.

At the WTO Ministerial in Seattle, CEI helped ICCS hold a major conference on "Ensuring Open Trade and Global Prosperity." Speeches and papers by leading experts considered the various connections between trade and the environment, and in particular the "linkage" issue; that is, the attempt by environmental pressure groups to become official parties to WTO deliberations and to make the WTO into an environmental

enforcement agency. Unfortunately, the reasoned discourse of our ICCS conference on 29th November was drowned out by the protestors and rioters in the streets of Seattle the next day. And so I am grateful for the opportunity you have given me here today to share some of the observations and conclusions from the ICCS's conference.

The connection between trade and the environment is as strong as it is obvious. Increasing international trade generally leads to increasing environmental vitality. The reason is that trade is one of the principal means of increasing wealth. As people become wealthier, they become more concerned about environmental quality and they acquire the resources to spend on protecting the environment. The environmental effects of a lack of wealth can be seen most clearly in subsistence economies. People living at the subsistence level don't worry much about pollution or biodiversity; they are too busy working to earn their next meal. And even if they did worry, they are too poor to do anything about it. A stark example was provided when the Indonesian economy collapsed in 1997. Newspapers reported that hungry people were taking to the jungles to hunt wild animals to eat. They were not concerned that many of these animals were rare or endangered species.

The simple connection between prosperity and a healthy environment has been obscured by the rantings of the international environmental establishment against the alleged evils of modern industrial civilization and corporate globalization. For them, trade is the enemy precisely because it increases wealth. A cornerstone of modern environmentalism is the claim that affluence and technology are the problem—that they actually increase environmental degradation and deplete the world's natural resources.

This claim is demonstrably false. (A thorough refutation of the neo-Malthusian worldview upon which it is based can be found in two essays in Earth Report 2000, a CEI book published this year by McGraw Hill: "The Progress Explosion," by Ronald Bailey; and "Richer is More Resilient," by Indur Goklany.) To take just one example, pollution levels are much higher in Delhi and Beijing than in New York or London, even though consumption levels are much lower in the former cities. Delhi has very few cars and very low electricity production, yet the air quality is so terrible that it kills 10,000 or more people a year.

Moreover, if trade itself were the problem, then the countries with the lowest tariffs and the most trade should have the worst environmental quality and those countries with the highest tariffs and the least trade should have the best environmental quality. But, of course, the reverse is true. The United States, the European Union, and Japan are the world's leading trading nations and the world's leaders in environmental protection. Conversely, India has pursued closed economic policies for decades and has seen its share of total world trade drop from approximately .75% to .35% without experiencing any noticeable environmental improvements.

Mere facts, however, have never been of much concern to the environmental movement. When reality threatens to get in the way, they simply create their own "reality" and move ahead with their agenda. That is happening today in the arena of international trade and

environmental negotiations on a gigantic, almost mind-boggling scale. Hundreds of green NGOs pursue their goals in a bewildering variety of ways and in every possible international forum. While thousands of protestors and rioters filled the streets of Seattle, hundreds of accredited NGO delegates from environmental pressure groups filled the halls of the convention center where the WTO Ministerial was taking place. And the number of green NGO delegates in Seattle was not an unusual occurrence. They show up by the hundreds and even thousands at every significant international environmental negotiation. They are able to do this because the combined budgets of all the green NGOs total in the hundreds of millions of dollars. These funds come primarily from American charitable foundations, U. S. government agencies such as EPA, and many European governments and the European Union. To a large degree, green NGOs and not the world's sovereign nations now set the agenda for multilateral environmental agreements (MEAs) and have become the loudest voice in WTO negotiations. (A detailed overview of the size and scope of green NGOs can be found in a book written by my predecessor at CEI, James M. Sheehan, and published by Capital Research Center in 1998, Global Greens: Inside the International Environmental Establishment.)

Since the United Nations Environment Summit in Stockholm in 1972, over 250 environmental treaties and conventions have been negotiated. Many more are in the works. While many of these agreements are minor, a number of the major MEAs have serious negative consequences for world trade. For example, the Basel Convention on Transboundary Movements of Hazardous Waste and Their Disposal regulates international trade in a wide variety of materials, many of them not hazardous. By raising the costs of recycling a number of industrial materials, the Basel Convention has had negative environmental as well as economic effects, particularly on poorer countries. It is worth noting that the United States is not a signatory to the Basel Convention.

In a paper published in 1995 by CEI, Ray Evans called the Basel Convention "Internationalism's Greatest Folly." That, of course, was before the Kyoto Protocol to the Framework Convention on Climate Change, negotiated in 1997. If Kyoto ever goes into effect, it threatens in one stroke to destroy all the progress made since 1948 by the GATT and the WTO to lower tariffs and trade barriers. This is because those countries required by Kyoto to lower their greenhouse gas emissions will inevitably want to raise tariffs and trade barriers on products produced with much cheaper energy in countries not covered by Kyoto. Vice President Al Gore supported just such a policy in his 1992 environmental manifesto, Earth in the Balance, when he suggested that "weak and ineffectual enforcement of pollution control measures should also be included in the definition of unfair trading practices."

Several other MEAs could be mentioned, but I would instead like to consider briefly a doctrine underlying most of these environmental treaties, namely "sustainable development." The concept was first publicized in a document published by the International Union for the Conservation of Nature in 1980, World Conservation Strategy: Living Resource Conservation for Sustainable Development. In 1982, the Brundtland Commission Report for the United Nations, Our Common Future, recommended that the doctrine of sustainable development be the basis for future United

Nations economic and environmental actions. It's hard to know exactly what is meant by sustainable development, and perhaps that's just the point. It can be and has been used by environmentalists as an all-purpose club to oppose nearly any particular economic activity and to support almost any environmental restriction. The idea seems to be that unfettered human economic activity will or already has exceeded the carrying capacity of the earth. Limits must therefore be imposed by the people who know best. A successor to the Brundtland Commission, the Commission for Global Governance, has in fact proposed that a United Nations Economic Security Council be created to enforce sustainable development on unenlightened nations and peoples. The council would be funded by a variety of environmental taxes. Its proposed enforcement powers are still somewhat vague.

MEAs are one way to restrict and reduce world trade, but they are indirect and, until now at least, constitute only minor impediments. Environmental pressure groups have therefore launched a direct attack on the world's principal vehicle for lowering trade barriers and thereby increasing trade, the World Trade Organization. A huge amount of rubbish has been written about what's wrong environmentally with the WTO (the most detailed treatment being Whose Trade Organization?: Corporate Globalization and the Erosion of Democracy, published by Public Citizen in 1999), but let me summarize it by quoting from a top ten list of what's wrong with the WTO, which I found last November on the internet. This list was produced by the Direct Action Network as part of their campaign to "SHUT DOWN THE WTO":

Number 1: "The WTO only serves the interests of multinational corporations."
Number 4: "The WTO is destroying the environment.

> "The WTO is being used by corporations to dismantle hard-won environmental protections, who (sic) call them barriers to trade. In 1993 the very first WTO panel ruled that a regulation of the US Clean Air Act, which required both domestic and foreign producers alike to produce cleaner gasoline, was illegal. Recently, the WTO declared illegal a provision of the Endangered Species Act that requires shrimp sold in the US to be caught with an inexpensive device that allows endangered sea turtles to escape. The WTO is currently negotiating an agreement that would eliminate tariffs on wood products, which would increase the demand for timber and escalate deforestation."

Number 9: "The WTO undermines national sovereignty.

> "...For the past nine years, the European Union has banned beef raised with artificial growth hormones. The WTO recently ruled that this public health law is a barrier to trade and should be abolished. The EU has to rollback its ban or pay stiff penalties. Under the WTO, governments can no longer act in the public interest."

The first claim, that the WTO only benefits multinational corporations, is repeated everywhere and endlessly, but it is only a slogan and is not worth our time. The ninth claim, that the WTO undermines national sovereignty, is curious since one of the principal aims of the international environmental establishment has been to undermine

national sovereignty and since many environmental treaties succeed in that aim. To take only the biggest threat to sovereignty, the Kyoto Protocol would create a global energy regime to override national decisions about energy use. In fact, the WTO protects national sovereignty. The several dispute decisions cited by environmentalists and Naderites alike as infringements on sovereignty are precisely the opposite. The beef hormone decision prevented the European Union from using phony science to indirectly protect their own beef producers from foreign competition. Unfortunately, many of the environmentalists' grievances are being promoted by one government or another or one industry or another because their practical effect is disguised protectionism.

Sovereignty enters as well into the fourth claim, that the WTO is destroying the environment. It is claimed that the WTO overturned a Clean Air Act regulation designed to require cleaner gasoline. It did nothing of the sort. It only required that Venezuelan refiners be treated in the same way as American refiners. In the shrimp-turtle decision, it is claimed that the WTO gutted American environmental protections for sea turtles. It did not. The WTO simply ruled that American environmental laws cannot be exported to other countries under the guise of international trade.

That is really the main point of all the WTO decisions that the environmentalists don't like. Their goal is to create an international regime that will allow the United States to force other countries to abide by U. S. environmental regulations as a condition of trading with the U. S. The EPA will thus regulate the world. And if, say, Sweden has even more restrictive environmental regulations than the U. S., then Sweden can use the WTO to force their regulations on the U. S. If this process ever begins, there will be no end to it.

This is what green NGOs want when they demand environmental linkage. They want a seat at the table in all WTO deliberations in order to turn the WTO into an international environmental enforcement agency. The linkage issue was one of the principal points of disagreement at the WTO Ministerial in Seattle and one of the principal reasons that the talks collapsed. Nearly all the developing nations oppose linkage because they see it as just another variant of imperialism. The opposition to eco-imperialism even extends to some environmental groups in developing countries. For instance, the Centre for Science and Environment in India published a paper this spring that argues that international environmental negotiations are skewed in favor of the environmental concerns of developed countries and ignore the environmental concerns of developing countries. The paper argues that India should oppose the environmental agenda being imposed by the United States and the European Union.

The attempt to link environmental issues to the WTO and bring green NGOs into the negotiating process is the gravest threat to international trade before us. The Clinton-Gore administration has stated that we can have it both ways—that we can increase world trade and accept environmental linkage. But there is no "third way" on this issue. Luckily for all of us, wiser governments prevailed in Seattle and opposed linkage categorically.

The threat posed by linkage to international trade has been most ably stated in a petition, "Third World Intellectuals and NGOs Statement Against Linkage," which was circulated last fall by Professor Jagdish Bhagwati of Columbia University and which has been signed by many of the world's leading trade economists. The petition makes a powerful case that trying to link environmental and trade policies in international bodies will undermine both environmental protection and world trade. In the words of the petition, "You cannot kill two birds with one stone." As Professor Bhagwati said in a talk to a conference on international trade organized by Senator Bob Kerrey in Omaha in 1998, "Free trade is a moral cause. Why? Because, as Democrats here and Social Democrats and Liberals abroad fully appreciate now, our social agendas cannot be advanced without economic prosperity."

We may disagree with Professor Bhagwati about what our social agenda should be, but his point is applicable nonetheless. WTO negotiations to lower trade tariffs and barriers are almost impossible now. Mixing controversial environmental issues into these trade liberalization negotiations can only lead to the collapse of the WTO process, a process which has brought untold benefits to people throughout the world and which could still bring more benefits in the future.

Madam Chairman, this concludes my testimony. I would be happy to answer any questions that you or other members of the committee may have.