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REPORT OF THE TRADE PROMOTION COORDINATING COMMITTEE—2001

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

ON

THE REPORT ON SECTION 201 OF THE EXPORT PROMOTION ENHANCEMENT ACT OF 1992, TO COORDINATE THE EXPORT PROMOTION AND FINANCING ACTIVITIES OF THE FEDERAL GOVERNMENT AND TO DEVELOP A GOVERNMENTWIDE STRATEGIC PLAN FOR CARRYING OUT FEDERAL EXPORT PROMOTION AND FINANCING PROGRAMS

OCTOBER 2, 2001

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REPORT OF THE TRADE PROMOTION COORDINATING COMMITTEE—2001

TUESDAY, OCTOBER 2, 2001

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10:25 a.m., in room SD–538 of the Dirksen Senate Office Building, Senator Paul S. Sarbanes (Chairman of the Committee) presiding.

OPENING STATEMENT OF CHAIRMAN PAUL S. SARBANES

Chairman SARBANES. The Committee will come to order.

As our witnesses I think realize, there is a vote on. It was scheduled for 10 a.m., but it never quite starts on time. And in any event, I think other Members will be coming in shortly. But I think we should get underway.

I am very pleased to welcome before the Banking Committee this morning this panel of distinguished representatives of the Trade Promotion Coordinating Committee, the TPCC: Don Evans, Secretary of Commerce, who serves as the Chairman of the TPCC; John Robson, Chairman and President of the Export-Import Bank, serves as Vice Chairman of the Trade Promotion Coordinating Committee; Peter Watson, President and CEO, Overseas Private Investment Corporation, OPIC; Hector Barreto, Administrator of the SBA, Small Business Administration; and Thelma Askey, Director of the Trade and Development Agency.

The purpose of today's hearing is to review the preliminary report of the Trade Promotion Coordinating Committee on its National Export Strategy and the Coordinating Committee's plans for the coming year.

The Trade Promotion Coordinating Committee was established by the Export Enhancement Act of 1992. As stated in the statute, its purpose is "to provide a unifying framework to coordinate the export promotion and export financing activities of the U.S. Government and to develop a Government-wide strategic plan for carrying out Federal export promotion and export financing programs." The statute designates the Secretary of Commerce as the Chairman of the Coordinating Committee and designated as members all of the Federal agencies involved in export promotion.

And there is quite a long list of them. We have only some of them, perhaps the lead, the more relevant ones, at the table.

Well, some of the others are highly relevant, too, so I do not want to divide us into categories here.

The effectiveness of the Trade Promotion Coordinating Committee depends on the leadership it receives from its Chairman and the other key members. The first Chairman, Secretary of Commerce Ron Brown, working together with Ken Brody, who was then the Chairman of the Export-Import Bank, provided the initial leadership and energy to get the Coordinating Committee off the ground and functioning. As a result, the Trade Promotion Coordinating Committee has a significant list of accomplishments it can point to during its first 8 years. And let me just touch on some of those very quickly.

First, the establishment of 18 U.S. Export Assistance Centers in major metropolitan areas around our country, one-stop shops to provide marketing and trade finance support to local exporters.

Second, improved interagency coordinating of advocacy for U.S. companies seeking to do business overseas.

Third, a joint Ex-Im Bank–SBA working capital guarantee program for small exporters.

Fourth, a partnership with the National Governors Association to increase coordination between State and Federal export promotion efforts.

Fifth, the establishment of offices within the Commerce Department and the U.S. Trade Representative to monitor and enforce trade agreements.

The legislation which established the Coordinating Committee required it to propose to the President an annual unified Federal trade promotion budget that would support its strategic plan. In 1999, the Congress amended the statute to change the delivery date for the annual National Export Strategy Report to the Congress from September 30 to March 30 in order to allow the TPCC's export promotion budget recommendations to be better coordinated with the development and release of the President's budget. The report that is being submitted today, in fact, was delayed from earlier this year in order to allow the new Administration time to focus on the issue.

A report on March 30 with an incoming Administration would not have given people—in fact, I am not even sure everyone was in place in their positions, as I look at the witnesses at the table.

Of course, we have a new Administration, a new set of leaders for the Trade Promotion Coordinating Committee. I simply want to say that I am very encouraged by the response of Secretary Evans, the Chairman, and his Under Secretary for International Trade, Grant Aldonas, by Ex-Im Bank Chairman Robson, the Vice Chairman, and by the other members of the Trade Promotion Coordinating Committee who will testify this morning.

From my initial meetings with each of you earlier this year, there seems to be an appreciation for the potential of the coordinating committee to bring even greater coherence and a sense of strategy to the Federal Government's export promotion effort.

It is my perception that these witnesses and others in the Executive Branch have made this a priority in planning the agenda for their agencies and I very much look forward to hearing their testimony this morning.

Finally, let me note that the attention of Congress has been drawn away from its normal agenda because of the tragic events

of September 11. It is a measure of the importance that we attach to the work of the Coordinating Committee that this hearing is going forward today. In fact, all of the economic reports, it seems to me, that we are now receiving only emphasize the work of the Coordinating Committee.

The Los Angeles Times, in an article about 10 days ago, said, and I quote: "The world economy is in a fragile state, according to U.S. trade figures, and is likely to flow further as additional security measures triggered by last week's terrorist attacks hinder the flow of goods and services."

The Coordinating Committee may thus have an additional challenge posed to it as it moves ahead with its work. It perhaps may prove useful in assisting U.S. exporters to cope with the new obstacles to trade that may result from the recent events.

Gentlemen, and lady, we are pleased to have you before the Committee this morning. We look forward to hearing your testimony.

I am going to yield to Senator Miller before we turn to—and then when we do, I think we will just move right across the panel, from Secretary Evans, Mr. Robson, Mr. Barreto, Mr. Watson, Ms. Askey—last, but not least, I hasten to add.

Senator Miller.

COMMENTS OF SENATOR ZELL MILLER

Senator MILLER. Thank you, Mr. Chairman. These witnesses have waited long enough. I do not have a statement to make at this time. I may have some questions later on.

As always, I am interested in the level of cooperation between your agencies and the States as they relate to export promotion. But I have no statement.

Chairman SARBANES. Thank you very much.

Secretary Evans, we would be happy to hear from you.

STATEMENT OF DONALD L. EVANS
SECRETARY OF COMMERCE
CHAIRMAN, TRADE PROMOTION COORDINATING COMMITTEE

Secretary EVANS. Thank you very much, Mr. Chairman.

Let me begin by saying how much I appreciate our initial meeting some 8 months ago when you called my attention to this very important responsibility that was one of my important responsibilities, this important initiative.

As I have learned more about it over the past 7 or 8 months, and worked with my colleagues, I have a great appreciation for your leadership on the Trade Promotion Coordinating Committee.

Like you said, I think there is great potential here. I think I am enthusiastic about what this Committee will do in the months and years ahead. I am delighted to have the chance to be here to report to you on that.

Chairman Sarbanes—Senator Gramm is not here—but Members of the Committee, as Chairman of the Trade Promotion Coordinating Committee, TPCC, I am pleased to be here today with my colleagues to discuss our proposals for increasing exports by providing U.S. companies, especially small- and medium-sized companies, with state-of-the-art export promotion services.

My brief remarks will be accompanied by written testimony which I will submit for the record.

The Trade Promotion Coordinating Committee was created to help American companies get export information quickly and easily, and we do thank you, Mr. Chairman, and the other Members of the Committee, for making the TPCC permanent in the Export Enhancement Act of 1992.

Significant progress has been made. A worldwide export assistance network has been established. A U.S. advocacy center has been created. And there is extensive trade information available by the Internet.

We are now in a new century with intense competition. Falling market shares where commercial opportunities are greatest, and achieving the unmet export potential of our small firms, compel us to take a new look at the needs of our customers, as well as at the best practices of our competitors. Many of these competitors, may be doing a better job when it comes to getting their small- and medium-sized companies into the markets with greatest potential.

Today, what we are proposing is to use the TPCC as a management tool to reevaluate our export promotion programs from the ground up through a comprehensive bench-marking exercise. This study will give us information we need to determine how to ensure our export promotion services are best in class.

We have a three-part strategy, Mr. Chairman: First, we will assess customer satisfaction. We have commissioned a survey of the business community, including those who use our export services and those who do not. And we will meet with "focus groups" to hear firsthand experiences with our programs.

Second, we will review how the governments of our major competitor countries go about promoting exports. We already know that many of these governments focus their programs on small businesses and that they target these initiatives to developing and emerging countries. The French have a small business initiative targeted to Eastern Europe. Spain has a plan to get their companies into the Asia-Pacific region. And Canada has targeted South America for its small business exporters.

A number of countries have closely linked export-and-investment promotion programs. Additionally, we will look at how the private sector in the United States and abroad promotes exports.

The final phase of our benchmarking study will be an analysis and comparison of our programs with other best practices, such as leveraging the Internet to promote exports. We have a short list of export promotion processes. Our ultimate goal is to benchmark each with the best practices we identify so we can target areas for improvement.

We anticipate providing this Committee with recommendations next March that can fully be implemented by 2004. We expect these recommendations will be both strategic and programmatic. They will address duplications and gaps in our services. And they will also attempt to leverage services provided by Federal agencies with the private sector and others.

As this Committee knows, trade is a vital contributor to the economic foundation of our Nation. Exports have fueled our economic

growth and support millions of American jobs. Continued expansion of trade is essential to our Nation's long-term prosperity.

Mr. Chairman, the Trade Promotion Coordinating Committee is eager to work with you and the other Members to provide world-class export promotion services so the American business community can take advantage of global opportunities. To do this, we believe it is critical that our trade promotion agencies know the needs of our customers, as well as the practices of our competitors, so we can respond with appropriate programs and initiatives.

We welcome your thoughts and those of your colleagues on the benchmarking proposals we are presenting today. Thank you, and I will be happy to answer any questions that you might have.

Thank you, Mr. Chairman.

Chairman SARBANES. Well, thank you very much, Mr. Secretary. The full statements of all of the witnesses will be included in the record.

Mr. Robson, we will turn to you.

STATEMENT OF JOHN E. ROBSON
CHAIRMAN AND PRESIDENT
EXPORT–IMPORT BANK OF THE UNITED STATES
VICE CHAIRMAN
TRADE PROMOTION COORDINATING COMMITTEE

Mr. ROBSON. Thank you, Mr. Chairman. It is a pleasure to be back before you and Senator Miller again.

I too will submit my formal statement for the record and present orally a brief summary of points that I hope will be relevant to today's hearing.

First, let me remind everyone, as you have already said, that a central inspiration for TPCC's establishment by Congress was the observation that trade and exports, while growing spectacularly in importance to the U.S. economy, were not getting cohesive and appropriate export and trade promotion assistance from the Federal Government.

Under our economic system, of course, the roles of Government and private-sector business are distinct. But all America has a stake in seeing our businesses compete effectively against their foreign commercial adversaries. And those adversaries often receive considerable help from their governments in many forms.

So it is a legitimate function of the U.S. Government to find ways to keep the playing field level for our businesses and the global marketplace. That, of course, is what Ex-Im Bank does by providing credit guarantees, credit insurance and loans for exports to often risky emerging markets in situations where the private banking, insurance and finance firms won't participate. We do not compete with them.

Ex-Im Bank has been doing this since 1934, and we are good at it. But, by and large, Ex-Im Bank has done its mission as a solitary player, with very little collaboration or outreach to other U.S. Government agencies with which we might, with only modest effort, find common enterprise which would create more diverse and powerful support for American business.

And it is my experience that there has not been a strong practice or tradition in the many agencies comprising the TPCC to invest

a great deal of time, thought, or effort in creating opportunities for partnering with one or more sister agencies for the purpose of promoting exports and trade for American businesses.

That is why the revitalization of the TPCC and the efforts we have underway described by Commerce Secretary Donald Evans in his testimony are timely and important.

The goal, as I see it, is not to establish a seamless phalanx among the TPCC agencies, with a one-size-fits-all effort in export and trade promotion. This approach will not work because the programs, constituencies and objectives of the agencies are not identical. But what TPCC can do is help set the stage and infuse some momentum to create shifting clusters and alliances among its membership directed at export and trade promotion which might be broad in scope or more narrowly focused on a region, an industrial sector, or even a specific transaction. The TPCC program now underway is a great contribution to that outcome.

We should know and be sharing what other agencies in our Government are doing and, more importantly, what the competition is doing. How can we contend more effectively on behalf of American business with the competition's best programs and practices and, indeed, what of those programs and practices we should adopt?

The TPCC, in my opinion, is an ideal vehicle for gathering and analyzing a broad base of data from around the world and within our country as we have set out to do. And the Ex-Im Bank is very pleased to participate in these efforts and is looking forward to some concrete data that we will undoubtedly find useful going forward. Let me touch very briefly on the areas that appear to me to offer the prospect for improving our programs, as well as illuminating opportunities where we might successfully collaborate with our TPCC colleagues.

One, many other nations have established counterpart agencies to our Ex-Im Bank. They too have recognized the importance of export and trade to their economies and have stepped up very aggressively. For example, Canada and Germany have created new official entities called "market windows," which enjoy many benefits of being a public entity but may operate as and really compete with private banks. They may be having a competitive impact, and we are urgently attempting to pull together sufficient data to get an accurate picture of what they are really doing in the marketplace.

Two, Tied aid use has seen a recent resurgence, particularly by Japan. The United States has a so-called Tied aid capital projects war chest, but it has seen relatively sparing use.

Three, the potential for attracting more small- and medium-sized businesses into the exporter universe appears promising. And TPCC survey efforts of that market should be very important.

Finally, let me just mention some collaborative efforts we have recently made that I hope capture the spirit of the TPCC vision.

One, OPIC, TDA and the Ex-Im Bank forged a joint investment, export and technical assistance venture directed at Indonesia's energy sector and other industries.

Two, the same three agencies have just established a task force which will be sending representatives from each agency to find and help implement opportunities for United States business in Pakistan.

And three, Ex-Im Bank, the Commerce Department and the State Department have put in motion a program where Ex-Im Bank will learn in advance about governors trade missions and will undertake to play a role in such a mission.

Mr. Chairman, Members of the Committee, that concludes my remarks and I too will be happy to answer any questions.

Chairman SARBANES. Thank you very much.

Mr. Barreto.

STATEMENT OF HECTOR V. BARRETO, ADMINISTRATOR U.S. SMALL BUSINESS ADMINISTRATION

Mr. BARRETO. Mr. Chairman, Senator Miller, and to the other distinguished Members, thank you for inviting me to testify today about SBA's role in the Federal Government's export promotion strategy.

The President recognizes the critical link between the U.S. domestic economy and our foreign trade policy. Trade expands markets, grows business, and creates jobs. Free and open markets foster economic and political freedom, strengthen democracy, and enhance our national security.

We need to do as much as possible to give businesses in America every opportunity to succeed by enabling them to access all markets. Trade Promotion Authority will remove barriers to allow these businesses involved in trade to thrive in a global economy through free, fair and open markets, thus allowing U.S. small businesses to become more competitive in the global marketplace.

Currently, 97 percent of U.S. exporters are small businesses, numbering a little over 200,000. However, they account for just under a third of the total value of U.S. export sales. This is where SBA has a significant role to play.

Small businesses face barriers to exporting. Many simply lack basic information on how to go about exporting and many currently lack the financing necessary to sell their products overseas.

Each of SBA's financial and technical assistance programs can assist businesses interested in exporting and we have specific programs in place to assist in creating markets outside the United States. To date, our efforts and results have been sporadic. I intend to more effectively focus our efforts. Through expanded public/private partnerships we can facilitate access to needed information and capital with the goal of increasing revenue, employment and business longevity.

Firms engaged in trade are 20 percent more productive, pay wages which are 15 percent higher than nontraders, and are 9 percent less likely to go bankrupt, and may experience 20 percent greater job growth.

SBA has several loan programs tailored to small businesses in search of capital to either start or expand their business in exporting.

The International Trade Loan Program provides long-term financing for fixed assets and working capital for companies impacted by foreign competition or expanding exports.

The Export Working Capital Program is a short-term, transaction-backed guaranty program. SBA has worked with Ex-Im Bank to develop a seamless product to address a wide range of

small business financing needs. In fiscal year 2000, the average SBA export working capital loan was $400,000. The average size of an Ex-Im Bank loan was $1.6 million.

To help firms with very small export finance needs, the SBA's Export *Express* program provides loan guarantees on export loans up to $150,000. We believe it will provide much-needed financial assistance to the fastest-growing segment of the small business export community—the service sector. Let me give you two examples of how this loan program is being used.

One of these loans went to a Jackson, Mississippi firm for $11,000 to export produce to South America. Another loan for $50,000 allowed a firm located in Los Angeles to obtain orders worth $4.8 million for piping insulation and industrial chemicals.

SBA also has public/private partnerships to satisfy the needs of small businesses for information on exporting. SBA is a partner with the Commerce Department and the Ex-Im Bank in the U.S. Export Assistance Center, or the USEAC's, U-S-E-A-C's, nationwide network.

To help firms become export-ready, SBA took the lead in working with our public/private partners in creating the Export Trade Assistance Partnership Program, known as E–TAP. E–TAP is a customized process of taking a small group of export-ready companies through all the stages of becoming an exporter. This program relies on the support of SBA's Small Business Development Centers and their Service Corp of Retired Executives. It also relies on State and local trade offices, individual freight-forwarders, customs brokers, insurance brokers, and international attorneys to bring together essential export information at little cost to the small business owner.

E–TAP recently enabled a Dallas, Texas company to grow their markets and use SBA's capital programs. The company produces a medical product to repair oxygen sensors used by hospitals for monitoring trauma victims. It now exports to over 30 countries.

I am excited about the prospects for U.S. small business in the global marketplace. We need to reach more of the 25 million small businesses in the United States today. We need to do a better job of outreach and adapt and create products that meet their changing needs. We are committed to expanding our tradition of enrolling our public and private partners in these efforts.

This is an exciting time to be involved in international trade and we have a President who has made it a priority to assist the American businesses in the global marketplace.

Thank you. I would be happy to answer any questions.

Chairman SARBANES. Thank you very much for your statement.

Mr. Watson.

STATEMENT OF PETER S. WATSON
PRESIDENT AND CHIEF EXECUTIVE OFFICER
OVERSEAS PRIVATE INVESTMENT CORPORATION

Mr. WATSON. Thank you very much, Mr. Chairman, and Senator Miller, for holding this hearing today. Like my colleagues, I will just have a few brief comments, so we may have a broader conversation and discussion of my complete written statement.

Like the other members of the panel, Mr. Chairman, I also want to thank you for your strong leadership and the support that you have given toward establishing a coordinated United States trade program. It is a privilege for me to join in this panel today with my distinguished colleagues.

Even before the creation of the TPCC, OPIC and the other trade agencies have had a long tradition of cooperating with each other. However, I think it is clear that the mechanism of the TPCC has allowed us, frankly, to do so in a more systemic and coordinated way, and we will continue to do so.

As you have heard, the TPCC is reinvigorating a unified trade program for the U.S. Government and as you stated, Mr. Chairman, this is a particularly important responsibility given the economic disruption and foreign policy challenge we face as a result of the tragedy on September 11.

As a development agency, OPIC is well positioned to play an important role in the U.S. response to those events and, indeed, we can assist in helping stabilize financial markets in the developing world.

We are also keenly aware that OPIC's mission is in many ways distinct from that of the more traditional trade agencies. As you are particularly knowledgeable, Mr. Chairman, OPIC, of course, is an integral part of the foreign assistance and development program of the United States, borne out of the Marshall Plan and focused on the belief that concessional aid alone cannot bring about the economic development so sorely needed in much of the world.

Today, OPIC is prepared to provide similar U.S. support for countries who are supporting and assisting broader U.S. interests. This includes, but is not limited to, moderate Islamic countries in the Middle East and Central Asia, and others most in need of support and economic development at this time.

In meeting today's challenges, OPIC will benefit from the cooperation, support, and information flow from all of the trade agencies represented on the TPCC. And as mentioned by Chairman Robson, we have already seen the benefits of this interagency cooperation.

During the recent visit of Indonesia President Megawati, as Chairman Robson mentioned, we were pleased to be able to join with Ex-Im and TDA in a joint trade and finance initiative developed in support of Indonesia, which is not only an important U.S. ally, but also a country that has a large Muslim population.

Another area of cooperation is promotion of business development in countries of specific U.S. interest. I am pleased to be able to participate in the business development delegation being led by Secretary of Commerce Evans to Russia next week. That delegation will include senior executives from approximately 15 U.S. companies representing a wide variety of sizes and sectors. The mission will reaffirm United States Government support of Russia's economic reforms and assess ways to improve access by United States business to the Russian market.

If I may, in closing, Mr. Chairman, mention briefly one specific area of renewed focus—it is how OPIC pays attention to the special needs of American small business.

OPIC, I believe, has yet to fulfill its potential in this area and we are actively examining opportunities in order to be able to assist small business.

One particular avenue that we have already identified and are exploring is the extent to which OPIC can work with the SBA. I am pleased to have had the opportunity earlier of meeting with my colleague, Administrator Barreto, to discuss our mutual interests in this area.

We have a working group between our two agencies who have already met to pursue arrangements and we are hoping to establish similar mechanisms that Ex-Im has in place with SBA.

Looking ahead, Mr. Chairman, in cooperation with our TPCC colleagues, OPIC's activities will focus more closely on development and on companies and countries that have difficulty accessing private financing and assurance.

Working together, within the Administration and with the Congress, OPIC can make an important difference to people in the developing countries and in America during these challenging times.

I will be happy to answer any questions you may have. Thank you, Mr. Chairman.

Chairman SARBANES. Thank you very much, Mr. Watson.

Ms. Askey.

STATEMENT OF THELMA J. ASKEY, DIRECTOR U.S. TRADE AND DEVELOPMENT AGENCY

Ms. ASKEY. Thank you, Mr. Chairman and Senator Miller. I am pleased to be the clean-up hitter.

A number of you have been friends of the U.S. Trade and Development Agency for many years, and are well acquainted with the agency. However, I recognize that TDA is a small agency outside the jurisdiction of the Banking Committee, and I would like to take this opportunity to outline briefly what TDA does and how it works with the Trade Promotion Coordinating Committee to promote U.S. exports and create American jobs.

I have been insistent on being an activist in the TPCC because I see that our agency, although small, has a strong reputation as a disciplined and responsive agency that reflects best practices.

TDA promotes American private sector participation in development projects in low- and middle-income countries, with special emphasis on economic sectors that represent significant U.S. export potential. This is no easy task in today's global marketplace. U.S. firms face aggressive competition from foreign producers who often receive substantial assistance from their home governments in pursuing projects.

By now, you have already heard which governments are TDA's biggest competitors and about their use of Tied Aid. TDA must work harder and smarter than our competitors to level this uneven playing field.

TDA's toolbox for fighting unfair foreign competition contains a number of instruments. The most common methods are funding feasibility studies, conducting orientation visits, and hosting trade conferences. TDA also provides training and technical assistance grants. TDA's technical assistance may be project specific, or more

broad-based—supporting capacity-building institutions and trade agreement implementation.

TDA's goals are two-fold—helping American businesses export their products and thereby creating jobs, while simultaneously promoting commercially-viable economic growth in developing and middle-income countries. Since 1981, TDA has been associated with more than $17 billion in exports—or over $35 in exports for every dollar invested in its program activities.

TDA typically promotes U.S. exports by providing assistance for specific infrastructure products around the world. However, TDA is also effective in promoting U.S. exports at a more fundamental level—by providing technical assistance to support broader sectoral efforts and by increasing trade-related capacity.

This strategy entails helping countries develop better legal and regulatory regimes and promotes exports by creating a more favorable commercial environment for U.S. firms.

Such an improved commercial environment serves the long-term interests of the United States and its businesses, as well as the foreign partners.

Technical assistance provided by TDA can also be a useful tool to support trade policy objectives. Upon conclusion of a trade agreement or multilateral or bilateral understanding, TDA can provide the technical assistance some trading partners need to implement the provisions. This assistance enhances our trading partners' ability to meet their trade obligation and ensures that U.S. firms will be able to fully realize the benefits of these agreements—namely, a fair and open trade, regulatory and legal environment.

TDA has worked hard to achieve its success, but it has not done so alone. TDA takes great pride in the close relationships it maintains with other U.S. Government entities in identifying and pursuing U.S. export opportunities. The agency is especially grateful to Secretary Evans for his leadership of the Trade Promotion Coordinating Committee. TDA believes that TPCC provides an excellent framework to coordinate the Government's trade promotion operations and we actively support TPCC's efforts to identify and quantify the means that foreign governments use to obtain advantageous benefits for their national companies at the expense of U.S. firms.

Overall, the TPCC can be most useful by providing a mechanism for focusing the resource of various agencies in order to respond to particular immediate or longer-term priorities, such as supporting the Administration's environmental strategy, reinforcing regional efforts such as in Africa or the Caspian region, supporting the negotiation and implementation of new trade agreements, and coordinating the development of efforts in the wake of September 11.

Additionally, the TPCC can focus efforts to work with foreign governments, assuring the shift to democracy and market-based economies.

The best long-term strategy for the United States is to make its presence felt in such countries and to do so by supporting commercial development. The TPCC is well suited and well positioned for such a role.

Among TPCC agencies, TDA frequently partners with Ex-Im and OPIC, to conduct trade promotion activities overseas and identify

promising project opportunities. These three agencies also jointly operate two regional offices—the Caspian Finance Center in Turkey and another jointly-supported office in Croatia.

Maintaining these regional offices allows us to work hand-in-glove to develop the regional economies, while promoting U.S. exports. In the near-future, we will look to these field offices to respond more quickly to the commercial and development needs of countries in strategic locales during difficult, uncertain times.

In the wake of the September 11 attacks, Peter Watson, John Robson, and I met last week to develop joint strategies for projects in Eurasia and Asia, as both gentlemen have already mentioned.

We and our staffs are evaluating how we can best respond, both as individual agencies in complementary ways, and collectively, to changes in the business climate and increased levels of risk in those regions and around the world.

We are currently exploring potential future joint activities in Africa and elsewhere and Peter and John have already mentioned our efforts in Indonesia.

TDA looks forward to continuing its efforts with these two agencies particularly, as well as with other TPCC members on other important initiatives, such as the U.S.-Jordan Free Trade Agreement, the focus on Africa through the AGOA conferences, et cetera.

TDA believes that the role of trade promotion is even more important today than it was before September 11. So your decision, Chairman Sarbanes, to hold this hearing in the wake of the attacks is particularly appropriate.

Supporting U.S. businesses as they pursue overseas opportunities and connecting them with projects in developing nations is critical to ensuring that the world economy continues to grow and that the people around the globe enjoy the benefits of economic development and free trade.

Accordingly, TDA will continue to carefully evaluate how it can best continue to serve U.S. interests in the wake of recent events.

Senator Miller, I would also say that we do look at State-specific activities. Most recently, we have sent letters to the USTR Zoellick and to the Finance and Ways and Means Committees outlining environmental projects in each State within those Committees. TDA is also available to analyze other States in support of trade promotion authority renewal.

In closing, I would like to thank the Chairman and Members of the Committee for the opportunity to appear today and to discuss what TDA is doing to increase U.S. exports and create American jobs, and how TDA works with other members of the TPCC.

I look forward to answering your questions.

Chairman SARBANES. Well, thank you, Ms. Askey, and thank you all very much. I want to underscore how we appreciate how much thought and effort went into the statements that have been submitted and have been included in the record.

Mr. Secretary, let me start with you.

I really welcome this benchmarking exercise that you have outlined that you are now going to go through to, one, ascertain the needs of your customers and, two, the practices of our competitors.

I think that is a very important exercise and I think, actually, the whole process you have outlined in your statement is very positive and ought to provide us with a real base off of which to act.

Now as I understand your timetable, you intend to finish that in time to encompass the lessons you draw from it in the report that you will present at the end of March of next year. Is that correct?

Secretary EVANS. That is correct, Mr. Chairman.

Chairman SARBANES. Well, let me just commit the Committee to that, to the extent that your report contains recommendations for legislative action, we will certainly schedule hearings and try to move ahead on that because we are very anxious to give you whatever weapons you judge to be necessary after we have had an opportunity to review them.

Do you expect that you will be able to influence the budget of the Administration that will be submitted for the next fiscal year—in other words, the one that is submitted in late January or February—in terms of how it deals with export promotion, both affecting maybe the levels and the coordination and the allocation of funds within the Executive Branch for that purpose?

Secretary EVANS. Mr. Chairman, certainly we expect we will be able to influence the coordination; I certainly believe that out of this, I think, important process and exercise that we are going to go through with respect to benchmarking our own programs against the rest of the world and understanding what each of the respective agencies is engaged in.

It is likely we will find some duplication. And it is likely that we will, as a result of that, be coming in and recommending some redirection of some of the funding. Now precisely what that is, I certainly do not know yet. I do not want to prejudge the conclusions of the report.

In terms of amount of funding, again, I guess I would say that I want to go through this exercise in a very thoughtful, thorough kind of way, but being comfortable that when we present the report to you in March, this is a program that we think will get results, will deliver the kind of results that you should expect, and the American people should expect.

I certainly call everybody's attention to the fact that only 1 percent of the small businesses in America are exporting outside the United States. I look at that and I understand the tremendous economic engine small business is for our economy in the United States. It ought to be a similar engine for the global economy. And for only 1 percent of our small businesses to be engaged in exporting around the world—I think that needs our attention.

So, I do not want to prejudge what kind of levels we may request. But I will commit that it is my intention to present to this Committee, with the work of my colleagues, a report that will be effective and will deliver results.

As you know, I am from the private sector and am a results-oriented kind of person. If we have a program in place, I expect it to work.

Chairman SARBANES. Well, as you go through the benchmarking exercise, I think you should remain alert to what lessons may leap out at you that could in fact be implemented within the Executive Branch with respect to the budget that the President is going to

submit. Otherwise, we are going to have to go through another cycle to get at that budget.

Secretary EVANS. Certainly.

Chairman SARBANES. Although we could try to alter or amend it as it moves through the Congress.

Ms. Askey, I was very much taken by this exercise you say you are doing with Ex-Im and Small Business on how to help our exporters in light of what has happened in terms of the impact of the events of September 11. It seems to me that that is a project that the entire coordinating committee could be engaged in, the problems for U.S. exporters involving delays in growing costs may result as a consequence, including heightened security or other measures.

And I would recommend that to the coordinating committee as an immediate short-term agenda item to try to address. Obviously, you are going to have some impact.

Have you perceived any impacts up to this point, any of you at the table?

Ms. ASKEY. It is hard to assess this early. We certainly have gotten some initial nervousness about traveling, et cetera.

All of us, I believe, have been looking at this individually at our own agencies. John Robson took the initiative to bring the three development agencies together.

On the one hand, it may make it more difficult to operate in some of these countries because of security issues and more difficulty in moving goods and services.

But on the other hand, perhaps the demand and the pressure for U.S. presence and activity will be even greater, particularly in countries that are going to provide some strategic assistance. So, we continue to work together on this issue. And Secretary Evans has provided significant leadership in this regard.

Mr. WATSON. Mr. Chairman, of course, part of the fuel for the economic growth, obviously, is availability and capacity in both finance capital markets and, indeed, political risk insurance. And what we have seen recently is troubling, frankly.

There has been a very discernible withdrawal of capacity in international markets and in developing countries, in particular of availability of finance and capital.

A number of banks and groups that have previously been able to provide financing, we have heard that they, in fact, are not going to be able to do so in the same type of coverage or amounts that have previously existed. And as you know, it is always a challenge to get those participants to be involved in transitional developing economies, even in the best of times.

We have had several meetings with clients and we will have another meeting with AIG this week to try and identify ways that we in fact can step into the breech that will assist in responding to this effort to stabilize these financial and insurance markets. But it is a very important role at this time and one that we take very seriously.

Chairman SARBANES. Senator Miller

Senator MILLER. First, I want to say that you make a very impressive team and I am glad that you are where you are and I thank you for giving up what you did to work in that arena.

Because of my experience in that other life that I once had in State government, and for a while I was a board member of OPIC, Mr. Watson, I am very interested in the level of cooperation that your agencies have with the States as it relates to export promotion. I think that the States have a very important role to play in improving that 1 percent, Mr. Secretary, and I think that they are willing to do so. They just need some help.

I know that one of the responsibilities of the Trade Promotion Coordinating Committee is to review the efforts of the States and to see how you can work with them to promote exports.

And I think that there is an agreement or some kind of working relationship with the National Governors Association. I am not sure, but I believe there was at least plans to.

I hope it will go further than that. Maybe I am making a statement now instead of asking a question, but I would like for you to respond.

I hope that in your study and in your focus groups that you will be conducting, that you will ask questions regarding the role of the States in improving the export promotion process. And I hope that you will include State trade promotion officials in your focus groups and your studies.

I do not know of any recent review that has been done of States. And if there has been one, I would be interested in seeing it. But I think there is a very important role there for your agencies to play. And I think that you will find that the States themselves want to work with you on this, but in the past decade, there has not been the coordination and cooperation that I would like to have seen. Anyone that wants to respond to that, fine.

Chairman SARBANES. I think that is a very thoughtful statement. Actually, I am taken by a sentence at the end of Secretary Evans' prepared testimony. At the end of it, he said: "I look forward to your reactions." So, I would say the same thing now, having heard Senator Miller's statement.

Secretary EVANS. Let me take a crack at that and say, Senator, I think you are right on the mark. I know at the Department of Commerce, we look at each individual State and break it down by what exports contribute to the State economy, and we will break it down by sectors, and we will break it down by regions. We will break it down, even, I think, by district.

The small business owner is in a little town in south Georgia and he needs to hear from his State legislator that there is a way for him to access the international markets. And he needs to hear from that State legislator that he can get into those international markets and feel comfortable that he has somebody to talk to as to what the rules are going to be. Because any time that small business owner thinks about going outside the United States, he is thinking, everybody's always told me if I leave the United States, I do not know what the rules are; they change them. And so, it is that small business owner in south Georgia who needs to be talking to somebody he knows and trusts is going to give him good advice as to how to get into the international markets.

The one thing that I have really been moved by in the last 8 months in this whole area is traveling around the country and talking to our foreign commercial service officers and offices, and

talking to small business owners who have taken advantage of the foreign commercial service program, which is simply a program, as part of which we have export assistance centers.

The Chairman mentioned some of them. We have them all across America. And they are simply centers where a business person can go and knock on the door and say, I manufacture valves. Is there some place in the world right now that wants the kind of valve that I manufacture?

We have a program where we can go and look around the world and see if there is a market for that kind of valve or not. And so, the way to get the message to that small business owner is down through the State governments and down to the local representatives. I have talked to a number of the governors about it. We do work with governors as they undertake trade missions. We help them organize their trade missions. I know Governor Taft went to South America, Governor Ridge is taking some trade missions—all the good governors take some. So, we will work with them.

But more than that, within the United States, I think you are right on the mark of finding a way we can coordinate with States in terms of trade development authorities and trade development offices so we can educate the small business owners across this country. So, I will be looking for more ways to do that. And I think that is a very wise observation.

Mr. ROBSON. If I may, add to your comment, Senator Miller, and the Secretary's comment, that the predicate for enlisting small business in the exporter community is illuminating the opportunity for them to go abroad.

When a small businessman wakes up in the morning, he is not thinking about doing business in Central or Eastern Europe. He is thinking about making a payroll that week.

And Ex-Im Bank and the other agencies have the mechanisms in place to try to provide the illumination of those opportunities, I am sure Hector has them, even if they are probably imperfect.

One of the good things that will come out of the surveys that we are doing here is perhaps some insights into ways in which we can make those opportunities more effective and find ways to work with State and local commercial development agencies to enhance them. We have those relationships, as I said in my testimony. We are doing something with Commerce and State on State trade missions. But it needs to be much broader. It is heavy-lifting, but doable, I think.

Chairman SARBANES. Does anyone else want to add anything?

Mr. BARRETO. I also want to confirm some of the comments that have been made.

We work very closely with the State of Georgia in our Atlanta, Georgia operation that we have with the Department of Commerce. It is really a model. They have done a lot of outreach. I think it is a model for other States. Again, some of the comments that are being made with regards to this leadership really occurring at all levels.

I am originally from California and I know that oftentimes, we were a little stymied why we were not doing as well as some of the other States. And it really had a lot to do with that leadership. It was not connected. We were doing, for example, 11 percent of ex-

ports to Mexico and States like Illinois were doing 22 percent, and Texas was doing 75 percent of their exports. But this is something that is on their radar screen. They are working with it all the time.

There are other States—I am originally from Missouri. They do an incredible job with their program in the State, especially with regards to their agricultural products and services that they offer. Florida does an incredible job.

So, I agree. I think there is a lot of opportunity for us to continue to collaborate, the partners on this Committee. But also to reach out to our partners in the States. I think we have mechanisms that we can bring to bear where we can really show some success for the small business community.

Secretary EVANS. May I make one more comment, Mr. Chairman, if you do not mind?

Chairman SARBANES. Certainly.

Secretary EVANS. I expect that the report we bring to you in March is going to have one element that is going to be focused hard on education—educating small businesses all across the country of this resource that is available to them.

I was at the Paris Air Show back in June and I talked to some 40 companies that were over there. They were small- and medium-sized businesses.

I heard the question asked—I was listening, I really wasn't talking to them—do you find this service important to you? And every one of them said, listen, we wouldn't be over here but for the Foreign Commercial Service Export Assistance Centers that you have. We could not have done this without them. I kind of stumbled into it. And so, our big challenge, I think, in this country is educating small- and medium-sized businesses all across America about this very valuable resource that is available to them. Our phones should be ringing off the wall. Yes, we are busy and we are active. But we ought to be a lot more active than we are. And I think one of the keys to that is what Senator Miller suggested, which is working back down through the States and empowering States to deliver that message and educate their businesses.

I went to Purefil, which is just outside of Atlanta, which was one of these small businesses that accessed the world market for their unique product through using foreign commercial services.

And there are just so many of those stories out there. All we need to do is just educate small businesses and tell them about this terrific resource that is available.

Chairman SARBANES. Your benchmark survey might include a survey of the interaction that the agencies have with the State governments as well, it seems to me.

Secretary EVANS. Good idea.

Chairman SARBANES. And a following up on Senator Miller's suggestion.

Secretary EVANS. Good idea.

Chairman SARBANES. Did you want to add anything, Peter?

Mr. WATSON. Just really two sentences. Senator Miller, from your time serving on the OPIC Board of Directors, you may well have become aware of some of the outreach that we do have to State governments. But we are mindful of the fact that OPIC does

not have domestic offices outside Washington, DC, clearly, and it is not part of our charter to have offices in States.

In fact, at the first meeting when Under Secretary Aldonas came and visited with us to talk about the TPCC, we discussed mechanisms for precisely more systematically working with the domestic foreign commercial office services in each of the States. And we are going ahead and doing that.

But I think of equal importance, if not more so, particularly to small business, is to be able to have a seamless cooperation with SBA, which does have these offices and representation in each of these States, or a significant number of them.

What we are developing is an approach whereby there would be a seamless arrangement where small business, when they come into SBA, do not get bogged down in bureaucracies. They can effortlessly move from SBA product into OPIC-related programs, much as with Ex-Im.

So this is one way that we are going to be building up our ability to support small business in the States.

Senator MILLER. That would be very important if you do that.

Mr. WATSON. Yes, sir.

Ms. ASKEY. I will just add quickly, not to take too much time.

We primarily operate in the States through the Commerce Department and through SBA directly with the State governments. About 60 percent of our business is with small businesses and we provide them a practical opportunity to experience international markets, which can be quite difficult.

We are involved with projects quite early. We do definitional missions and desk studies even before feasibility studies. And those opportunities, desk studies and definitional missions, are always done by small businesses. And it really gives them the opportunity to grow into a role that will allow them to see what it takes to operate in foreign markets.

Then they move on to the feasibility studies and to the exports. Many of them come to the TDA and say, you saved us. That one nice contract, even in a difficult market, held us and helped us grow, too. So, we work quite a bit with small business.

Chairman SARBANES. Senator Stabenow.

STATEMENT OF SENATOR DEBBIE STABENOW

Senator STABENOW. Thank you, Mr. Chairman.

I would echo support for what Senator Miller has spoken about. And while in Michigan, we had over $51 billion in exports last year to 200 markets, we have a majority of that coming from our larger businesses.

And there is a real need and I am approached all the time by chambers of commerce in small- or medium-sized communities wanting to know about the Ex-Im Bank or what else can be done with SBA, or whatever.

I would encourage you to be really strengthening the U.S. Export Assistance Centers that you have. We have four in Michigan and I think they are doing an excellent job, in Detroit, in Grand Rapids, in Pontiac, and in Ipsilanti.

But we need more coordination of what you were talking about. SBA plays a critical role. Frankly, MEP, and I do not know if you

have talked about that today, but the Manufacturing Extension Program in the Department of Commerce I think is one venue that has not been fully utilized in terms of education. They were set up to help provide assistance in education as to new technologies for small- and medium-sized manufacturing firms.

I do not know to what extent they are also focusing on trade opportunities. But that has been very successful in Michigan, the MEP. So, I would encourage you look at that as well.

I had a couple of specific questions for Secretary Evans. I want to first thank you for coming to Michigan a little over a week ago for a very positive session with Secretary Chou and business and labor leaders about manufacturing. Obviously, we are very proud of Michigan. We do all kinds of things. But one of the things we do is we engineer and make things. And we are very proud of the manufacturing economy.

I have a specific question just to bring to your attention and we are talking about trade at this point, and back and forth, with our immediate neighbor, which is Canada.

In light of the current situation that has happened and the current terrorist attacks, we ask for your vigilance and I would welcome any thoughts or information you have about how Commerce is focusing on the border. And I have asked the same of Secretary O'Neill with the Customs divisions. They are focusing I think in an excellent way to make sure that we have the security in place, but also understanding that for the manufacturing economy, it is just-in-time supply chain and critical that the borders be able to flow as easily as possible within safety and security measures.

I am very interested in knowing what steps from a Commerce Department standpoint you have done or would see your Department doing as it relates to trade with our immediate northern neighbor of Canada, particularly in light of the situation in terms of the borders and being able to move across the border.

Secretary EVANS. Senator, it is a very important question.

What we could do is call the just-in-time delivery problem to Customs' attention, which is what we did. As you mentioned, Customs really controls the border. And in the ensuing days after the attack, there was the issue of border crossings being delayed because of tighter customs, tighter security, and other related factors. We called Customs' attention to the commercial implications of that situation. They were already aware of it. They took steps to address it.

It is my understanding after talking to Rick Wagner and others, that goods are moving across the border pretty smoothly right now.

Senator STABENOW. It is much better, yes.

Secretary EVANS. So, I am not hearing the concerns that I was hearing a couple of weeks ago. Now if that is not right, I would like to know about it. But, really, what we can do is just call it to the attention of Customs and say, listen, you may slow down manufacturing operations and slow down commerce if you get too restrictive here. But I think they took the necessary steps and it is flowing smoothly now.

Senator STABENOW. It is much better than it was. I think if we are all vigilant, and that is why I am bringing it to your attention, we need to keep that in mind.

And as we are talking about exports and thinking about trying China or Russia or Europe or long distances, I would just ask you to always keep focused as well on our immediate neighbors and the policies that come from other important departments and areas, and as we are particularly dealing with the current situation and the challenges on security that we keep in mind that one of our biggest exporting markets is right over the border in Canada.

In the case of Michigan, it is right across the bridge or the tunnel. And so, we are very conscious of how we balance the competing and very important needs. I cannot go without, Secretary Evans, asking you if you might comment on any—and again, we are talking about trade, grave concerns regarding steel that relate to Michigan.

And while we certainly are talking today about exporting, I want to thank you again for the efforts of the Administration to focus on what is happening in terms of a fair trading atmosphere as it relates to steel and our grave concerns about the domestic steel industry. I wondered if you had any update as it relates to the 201 or 232 investigations.

Secretary EVANS. No update other than the ITC is reviewing it as we speak. And so, that is in process and there will be a decision in the not too distant future from the ITC.

But I have, I think, a very positive comment to make regarding our recent meeting at the OECD in Paris. The United States has taken the lead in bringing all of the respective countries together and focused on global over-capacity.

We were very pleased with not only the response and the attendance, but also the attitude of, yes, the world is faced with global over-capacity and we need to sit down and see if we can resolve that. And countries have agreed to go back and look at their own plants and try and determine what they can do within their respective countries to help solve this over-capacity problem.

Senator, what I can tell you is we are spending a lot of time on it. We are very focused on it. We understand the serious nature of it. The President has talked about it as a national security issue. We need to have a strong steel industry in this country. And so, we are with diligence continuing to pursue it and take the steps that we think could help find a global solution to this problem.

Senator STABENOW. I very much appreciate your efforts and would just stress, as I always do, the critical nature of this to domestic industry. And in light of what is occurring now, and in terms of our own national security, I think it would be devastating to America to lose a domestic steel industry. So, I would just encourage whatever efforts you are to continue to be able to make as quickly as possible and as effectively as possible.

Secretary EVANS. Thank you, Senator.

Chairman SARBANES. Thank you very much, Senator Stabenow.

I have just two or three questions to ask and then we will draw it to a conclusion.

Without asking you to point the finger specifically, the Congress enumerated in the statute the agencies and departments that should participate in the TPCC. And also provided that, at the discretion of the President, other departments or agencies could be

added to the list. Are they all participating or do you have some recalcitrant actors?

[Laughter.]

Secretary EVANS. They are all participating, Mr. Chairman.

[Laughter.]

Chairman SARBANES. I want to get the question out there so that they know that we are interested in the subject. I appreciate that.

Second, how are the Export Assistance Centers Working nowadays? See, Commerce establishes them. But then I think Ex-Im and SBA go at least into some of them. I do not know about all of them.

Secretary EVANS. Right, not all of them. With some of them, we have joint offices, so we are there together, fielding questions.

Chairman SARBANES. I think the Department of Agriculture plays a role in some of them.

Secretary EVANS. I do not know if they are in there or not.

[Pause.]

Yes, they are there as well. But from my perspective, Mr. Chairman, they are working very effectively. As I talk to companies that have had real-life experience in dealing with them, they have nothing but accolades for them and are very supportive of them.

I just wish we had more people coming through the door. I think they are all across America. There are a lot of them out there.

Should we have more? Maybe so. We will take a hard look at that. But, again, I think a lot of our focus, my focus, is going to be just how do we make more small- and medium-sized businesses aware that there are Export Assistance Centers available?

If you took a survey of small- and medium-sized businesses across America and asked them what an Export Assistance Center was, they wouldn't have any idea what you were talking about.

That will change. Mr. Chairman, I would say that that probably is true down through a lot of States. I think Senator Miller had a very good idea. If I were a State legislator in a district, it is something I would know about and I would want to tell my constituents about.

And so, I think that that is our big challenge. I really do. Just educating small- and medium-sized businesses of this very important resource that is available to them.

Chairman SABANES. I know the State of Maryland has offices overseas, State offices that are designed for export promotion and work closely with companies in our State in order to try to accomplish that.

They obviously need to be folded in in a coordinated way, they and comparable offices from other States, into your efforts.

And actually, some of this education that you are talking about, it could probably be funneled through the State offices and certainly enlist their efforts.

Secretary EVANS. You bet.

Chairman SARBANES. Let me ask one final question. First of all, let me say, I am very supportive of this benchmark exercise that you are embarking on. I know some will say, well, it is another study. Why don't they actually do something? But you have it compressed, in a pretty tight time period.

Secretary EVANS. Right.

Chairman SARBANES. I think you need to get this base. I do not think it has been done, as best I know. And of course, we have a new set of actors with a fresh viewpoint. So, I think it could be enormously helpful.

I think the analytical framework that you have set out in your statement in terms of how you propose to do it, what you propose to cover, really could be very helpful.

I just had this sort of question. You are going to look at best practices of other countries, which I think is a very important thing to do. Of course, a number of those countries in the past have taken a page or two from our own playbook, so to speak.

Secretary EVANS. Right.

Chairman SARBANES. In the course of looking at their best practices, if you can find out, it might be helpful to see what strategies they use in obtaining and implementing information about our own export promotion efforts.

Some of them have been pretty clever in observing the United States—this is in earlier times—and what we were doing and how we were doing it, and have picked up on that.

Now, they have turned around and implemented it and all of a sudden, we have a fierce competitor on our hands. So in addition to looking at what their practices are, you might look a little bit at the process they went through in order to pick up on these best practices.

I do not know how opaque all of that is going to be. I do not know how much cooperation you are going to get from counter-part governments. I guess that is one of the challenges you may confront. One of the things we have always pushed for, of course, on the finance arrangements is more transparency.

Secretary EVANS. Yes.

Chairman SARBANES. And of course, they are not very anxious to provide that. So, I wish you good luck in that regard.

Secretary EVANS. Well, thank you, Mr. Chairman. I think we will find ways to understand their best practices. We will pursue it with great vigor.

Chairman SARBANES. All right. Well, we look forward to continuing to meet closely with the members of the TPCC. We thank you very much for this preliminary report. And of course, we all look forward to the report that is going to come in the first part of next year. Thank you very much.

Secretary EVANS. Thank you, Mr. Chairman.

Mr. ROBSON. Thank you, Mr. Chairman.

Secretary EVANS. Thank you, Mr. Chairman, for your leadership.

Chairman SARBANES. The hearing is adjourned.

[Whereupon, at 11:40 a.m., the hearing was adjourned.]

[Prepared statements, response to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF SENATOR PAUL S. SARBANES

I am pleased to welcome before the Banking Committee this morning this panel of distinguished representatives of the Trade Promotion Coordinating Committee (TPCC): Donald Evans, Secretary of Commerce, who serves as the Chairman of the TPCC; John Robson, Chairman and President, Export-Import Bank, who serves as the Vice Chairman of the TPCC; Peter Watson, President and CEO, Overseas Private Investment Corporation (OPIC); Thelma Askey, Director, Trade and Development Agency (TDA); and Hector Barreto, Administrator, Small Business Administration. The purpose of today's hearing is to review the preliminary report of the TPCC on its National Export Strategy and the TPCC's plans for the coming year.

The TPCC was established by the Export Enhancement Act of 1992. The purpose of the TPCC as stated in the statute is "to provide a unifying framework to coordinate the export promotion and export financing activities of the U.S. Government and to develop a Governmentwide strategic plan for carrying out Federal export promotion and export financing programs." The statute designates the Secretary of Commerce as the Chairman of the TPCC and designated as members all of the Federal agencies involved in export promotion.

The effectiveness of the TPCC depends on the leadership it receives from the Chairman and the other key members. The first Chairman of the TPCC was Secretary of Commerce Ron Brown. Together with Ken Brody, the Chairman of the Ex-Im Bank who was designated Vice Chairman of the TPCC, they provided the initial leadership and energy to get the TPCC off the ground and functioning. As a result, the TPCC has a significant list of accomplishments it can point to during its first 8 years:

- Establishment of 18 U.S. Export Assistance Centers in major metropolitan areas around the country—one-stop shops to provide marketing and trade finance support to local exporters.
- Improved interagency coordination of advocacy for U.S. companies seeking to do business overseas.
- A joint Ex-Im Bank-SBA working capital guarantee program for small exporters.
- A partnership with the National Governor's Association to increase coordination between State and Federal export promotion efforts.
- The establishment of offices within the Commerce Department and the U.S. Trade Representative to monitor and enforce trade agreements.

The legislation establishing the TPCC required it to propose to the President an annual unified Federal trade promotion budget that supports its strategic plan. In 1999, Congress amended the statute to change the delivery date for the TPCC's annual National Export Strategy Report to Congress from September 30 to March 30 in order to allow the TPCC's export promotion budget recommendations to be better coordinated with the development and release of the President's budget. The report that is being submitted today, in fact, was delayed from earlier this year in order to allow the new Administration time to focus on this issue.

We now have a new Administration and a new set of leaders for the TPCC. Let me say that I am very encouraged by the response of Secretary Evans, the Chairman of the TPCC, and his Under Secretary for International Trade Grant Aldonas; Ex-Im Bank Chairman Robson, the Vice Chairman of the TPCC; and the other TPCC leaders who will testify before the Banking Committee this morning.

From my initial meetings with them earlier this year they seemed to grasp the potential of the TPCC to bring greater coherence and a sense of strategy to the Federal Government's export promotion efforts. It is my perception that they have made it a priority in planning the agenda for their agencies and I very much look forward to hearing their testimony this morning.

I should mention that the attention of Congress has been drawn away from its normal agenda because of the tragic events of September 11. It is a measure of the importance in which I hold this issue that this hearing is going forward today. In addition, as the *Los Angeles Times* mentioned in an article on September 20:

> The world economy is in a fragile state, according to U.S. trade figures, and is likely to slow further as additional security measures triggered by last week's terrorist attacks hinder the flow of goods and services.

The TPCC may thus have an additional challenge posed to it and perhaps may prove useful in assisting U.S. exporters to cope with the new obstacles to trade that may result from those events. I look forward to hearing the testimony of our distinguished witnesses this morning.

PREPARED STATEMENT OF SENATOR MICHAEL B. ENZI

I would like to thank the witnesses of the panel for coming before the Committee to discuss the Trade Promotion Coordinating Committee. As a former member of the President's Export Council, I strongly support the work of this Committee and stress its importance as we reevaluate the effectiveness of our current export laws and look to reauthorize key export control provisions. As you all know, the Banking Committee has been particularly active in export promotion with the recent passage by the Senate of the Export Administration Act.

The TPCC plays a critical role in improving and expanding our current trade promotion policy. It is now more important than ever that we approach export promotion and control from a unified standpoint. As such, we must continue to foster interagency coordination, which I believe is essential in creating effective programs that will improve the competitiveness of American businesses in the global marketplace.

Continued and improved interagency cooperation will also enable us to develop a trade promotion policy that will protect our national security, stimulate the economy, and encourage small business growth. Interagency cooperation must mean more than putting glossy reports together. It must mean implementing integrated strategies and overlooking the firewalls and turf battles that often are associated with funding for individual programs. Agencies must remember that they are all there to serve the American people and promote exports, not to compete to feather their own nests.

As small business is the backbone of our economy, we must not overlook its importance in our troubled economy. Despite the growing number of small businesses, less than 1 percent are taking advantage of today's globalization through international exports. As a Senator from a State whose economy thrives predominantly on the success of small businesses, this is unacceptable.

In closing, I appreciate the panelists willingness to discuss the future of the TPCC and encourage the Committee to continue its efforts in promoting access to export information and financing for businesses of all sizes.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF DONALD L. EVANS

SECRETARY OF COMMERCE

CHAIRMAN, TRADE PROMOTION COORDINATING COMMITTEE

OCTOBER 2, 2001

Mr. Chairman, and other Members of the Committee, my colleagues and I appreciate this opportunity to share with you our vision for the Trade Promotion Coordinating Committee (TPCC) and the work we will be doing over the next several months.

Let me say at the outset that it is my belief and that of the President that the events of September 11 make it even more imperative that we move our trade agenda forward and encourage U.S. firms to enter international markets. We have seen the impact of recent events on a number of industries—and the truth is that no one will escape from this tragedy unaffected. Small companies are no exception, and our trade promotion agencies need a coordinated response to the new environment U.S. exporters now face.

Whether it is a higher perceived risk in international markets, slower growth abroad or less available financing from the private sector, it is now even more critical that our trade promotion agencies are aware of the needs of our customers and can quickly respond to them with appropriate programs and initiatives. While all of us are making adjustments after last month's events, we cannot let the scourge of terrorism become an obstacle to America's and the world's economic growth and progress.

The Administration has made Trade Promotion Authority (TPA) a priority for this legislative session. We believe TPA will speed the negotiation of trade agreements that are fundamental to our country's and the world's economic future.

The agreements that TPA will let us conclude over the next 5 years could contribute as much as $1.9 trillion to world economic growth. The question is, what slice of this growing pie of commercial opportunities will belong to U.S. companies?

Of course the answer to that question will primarily depend on the innovation and ingenuity of our companies. But it will also be affected by our ability to deliver nec-

essary state-of-the-art export promotion programs to help our exporters realize the benefits from the agreements we negotiate.

From the perspective of a small U.S. company wanting to export, negotiating new trade agreements is really only part of the battle. New agreements are meaningless to a company if it does not have the information, expertise, and financing it needs to do the deals.

As a former businessman, I am well aware of two things: that U.S. companies are the most competitive in the world, and that they have to slug it out everyday in the global market to keep ahead of the curve. On everything ranging from major project competitions to small product sales, our exporters are competing not only on the basis of price and quality of their products, but also against the quality and government support behind their foreign competition.

We know today that our major competitors have made export promotion a priority, both in terms of the resources they put behind it and the strategic approach they take. Many of their programs are customer-driven and focused on satisfying their customer's needs. And we know that despite gains in many markets, we are losing market share in the world's fastest-growing markets. Over the last 10 years, our overall share of total exports to developing countries dropped from about 14 to 12 percent. This is a significant change.

These high-growth markets are also the markets where trade barriers are highest, especially for small companies. And many of our trading partners have an edge in these markets, because they have already negotiated trade agreements to help their companies get in on the ground floor.

But while some of our small exporters have discovered these markets and see their potential, many more could. We still face an export gap for small- and medium-sized companies. Only 1 percent of U.S. Small and Medium-Sized Business Enterprises (SME's) export, compared to 5 percent of French SME's.

For all of these reasons, the strategic approach of our competitors, falling market share where our commercial opportunities are greatest, and the unmet export potential of our small firms, I believe our export promotion programs should be reevaluated from the ground up.

I would like your support over the next several months as we undertake a benchmarking exercise to help us learn more about what our customers really want from their export promotion programs and to examine best practices of export promotion services. This study will give us more information to answer the question of why more U.S. companies do not export and how best to take advantage of fast growing markets.

Our vision, in short, is to use the TPCC as a management tool to improve our programs so that they respond to customer needs and the competitive environment. Our goal is to make sure our companies can take full advantage of the new commercial opportunities we expect to see in the next decade resulting from new trade agreements negotiated with TPA. At the outset, we want to make sure that we have the right programs, and that these programs are effective, strategically focused and coordinated. At the end of the day, we want to deliver the world's best export promotion services.

March 2002 National Export Strategy

Our goal is to deliver to you in March a set of recommendations we believe will get us to world-class standards in export promotion service by 2004. Between now and March, we will develop information on three fronts.

First, we will spend the next several weeks *assessing customer satisfaction* with our programs. We will do this in two ways.

We have commissioned a *survey* of the business community—respondents will include exporters, some who use our services and some who do not, and businesses who are not exporters. The goal is to get a handle on a number of issues related to the question of why more small businesses do not export. For example, among other things, the survey will try to discover what else Government programs could be doing to encourage exporting, and what does Government do best? What is Government's comparative advantage vis-à-vis private sector providers of similar services?

We will also meet with numerous "*focus groups*"—made up of users of all of our agencies' services—to try to understand what aspects of our programs work and what aspects do not. We will meet with small, medium and large exporters, trade associations and banks. We plan to talk to companies in Los Angeles, Baltimore, New York, Atlanta, Chicago, Boston and Philadelphia. We will ask questions that will help us get to broader issues holding back our export potential, such as finance risk and underutilization of our trade finance programs. We will ask all of these ex-

porters about the competitive environment they face and what they think the world's best export promotion services should look like.

The second part of this exercise will be a *search for best practices,* looking at how the governments of our major competitor countries go about promoting exports. We already know they dedicate more resources—that is not the only issue. We want to learn more about their most effective programs, and apply any lessons that are appropriate to our own programs. We will be looking for best practices in the private sector as well, and applying any lessons we learn.

We have already gathered initial data from embassy posts on the export promotion services of our G–7 trading partners, plus South Korea, the Netherlands, Spain and Sweden. This information will help us send out a more specific request for State economic officers and our commercial service officers to provide a more detailed analysis of some of the most intriguing best practices.

One of the first things we already know is that many of our competitors have benchmarked their programs and are copying as best practices some of our own programs. South Korea's trade promotion agencies have adopted the products and nomenclature of U.S. business matchmaking services such as our Gold Key, International Company Profile, Customized Market Analysis and International Partner Search services. Italy has established a network of regional "one stop shops" similar to the U.S. Government's Export Assistance Center strategy. And nearly all the competitor governments we are looking at have established centralized call centers and Internet portals similar to our own.

We have developed some excellent programs, and validation of some of these efforts is important. But the main purpose of looking at programs in other countries is to learn how we might improve our programs. Governments in these countries have many of the same goals and face many of the same challenges as the United States. To the extent they have developed innovative solutions, we should be open to learning and to change.

We have discovered some interesting themes. A core mission of all of these countries is to promote the exports of small business. For example, despite recent budget cuts, the French have modernized their export promotion services and focused them on SME's. The South Korean government is now committed to moving away from the dominance of "chaebols" (conglomerates) as its foundation of export strength and is focusing its programs on small business. They have a number of innovative programs, including a Small Business Corporation—with a budget of $4 billion funded through lottery tickets—to provide SME's with financial and technical assistance to improve their competitiveness.

Not only do these governments focus their programs on small business, but also in many cases they target these initiatives to developing countries. In 2000, the French targeted Eastern Europe and other emerging markets for the export of high-tech services. Canada has packaged services to help exporters enter emerging markets, and recently focused on South America. Spain has a "Master Plan" for increasing access to the Asia Pacific region, coordinated through a number of ministries.

A second theme is that *a number of countries' export and investment promotion programs are more integrally linked.* For example, Japan's new "region to region investment promotion program" links complementary regions rather than working with individual firms. Recently they matched a Japanese region known for making eyeglasses with an Italian city known for high fashion.

Third, there is an enormous *emphasis on leveraging the Internet to promote exports.* In Sweden, the Trade Council's websites have become the most important source of information to exporters. The free-to-user advice service has become increasingly sophisticated since it was initiated in 1996, with over 80 percent of users responding that they always find what they are looking for. The British also have a comprehensive e-business strategy, including e-business services, e-business infrastructure, Market Access Online and Trade Partners UK.

It will be very interesting to see how our recently launched "Buyusa.com" on-line matchmaking operation stacks up. By applying U.S. leadership in Internet utilization to export promotion, this unique partnership with IBM puts the full network of the United States and Foreign Commercial Service's 1,800 experienced professional trade specialists around the world and throughout the United States behind each business relationship and transaction.

Fourth, a number of competitors place a *heavy emphasis on technical assistance to promote exports.* In the United Kingdom, the government helps toward the cost of bringing decisionmakers in key countries to the United Kingdom for training by British companies. It is designed to help new business contacts in export markets familiarize themselves with British technology, production methods and management skills. Japan's International Cooperation Agency—with a budget of $1.9 bil-

lion—administers grants that fund technical training of potential foreign buyers in Japan and dispatches technical experts abroad.

The final phase of our benchmarking study will be our *analysis and comparisons of our programs with other best practices.* We have broken down all of our programs into a short list of export promotion "processes," such as providing information, marketing, small business trade finance, investment insurance, linking policy and promotion, and evaluation of our services and coordination. Our goal is to benchmark each of these processes with the best practices we identify, and develop recommendations that will put us on a course toward world class export promotion services. We expect these recommendations will be both strategic and programmatic and identify what we do best while responding effectively to our competition. They will address both duplication and gaps in our services and attempt to leverage opportunities between agencies, the private sector and other export service providers. We intend for this to be an ongoing program of review that will provide us with continuous feedback on the scope and quality of our programs, so that they reflect the changes our exporters face everyday in the global marketplace.

Mr. Chairman, we hope this vision is consistent with what you intended the TPCC to be when you created it in 1992. I am sure I speak for my colleagues when I say that we appreciate the fact that there is such a vehicle available to help us improve and better coordinate our programs at this important juncture.

PREPARED STATEMENT OF JOHN E. ROBSON

CHAIRMAN AND PRESIDENT
EXPORT-IMPORT BANK OF THE UNITED STATES
VICE CHAIRMAN TRADE PROMOTION COORDINATING COMMITTEE

OCTOBER 2, 2001

Thank you for inviting me to testify as the Vice Chairman of the Trade Promotion Coordinating Committee (TPCC) and as Chairman of the Export-Import Bank of the United States (Ex-Im Bank). While other agencies unite American exporters and foreign buyers, the Export-Import Bank provides the financing to generate successful transactions in emerging markets. Other agencies provide aid to needy countries. We attempt to level the playing field for U.S. businesses by ensuring that buying decisions are made on the basis of normal market forces and not on the basis of market imperfections such as financial support from official foreign credit agencies. We consider this institution a valuable part of the overall U.S. economic arsenal.

As directed by our Charter, Ex-Im Bank only approves transactions for which we can conclude that there is a "reasonable assurance of repayment." The word is in our name, but let me reiterate that we are the Export-Import *Bank* of the United States. We work to preserve the competitiveness of U.S. exporters against foreign competition, but we also watch over the taxpayer dollars. We do not compete with commercial banks. We help them go where they are unable to go without the backing of the U.S. Government.

Because this Bank works in partnership with business and labor, because it keeps exporters competitive, and because it helps create good jobs for U.S. workers, Congress and the Executive Branch have recognized the continuing need for a vigorous Ex-Im Bank. Ex-Im, and the other agencies represented here today, are working hard to align institutional goals and processes with the new global economic environment. While the trade promotion coordination effort is not new, it should be renewed. Thus, Secretary Evans and I, and the other distinguished members of this panel, are committed to a plan of cooperative action that will deliver tangible results.

Now let me talk about Ex-Im's role in this new effort. My vision, like all of those officials represented here, is to use the TPCC as a management vehicle to ensure that the appropriate resources of the U.S. Government can be in the right place, at one time, and coordinated to meet the needs of consumers and customers. Ex-Im Bank is working with all the members of the TPCC on the benchmarking survey and strongly supports this effort. Secretary Evans explained what we plan to achieve with the benchmarking survey. Let me outline what Ex-Im Bank, and U.S. companies, are up against in terms of foreign competition, and why we believe we need this survey as part of the National Export Strategy.

In general, wages for jobs supported by exports pay 13 to 16 percent more than the national average. This applies to both skilled and unskilled labor, and to both small and large firms. Employment in exporting firms grows 15 to 40 percent faster than in nonexporting firms. And exporting firms are 9 percent less likely to fail in

any year than comparable firms that do not export. This is something of the global reality we are now facing.

Most of our G–7 competitors have fundamentally changed their approach to providing "a competitive edge" and reoriented their organizations to focus on that edge. While in the 1970's and 1980's the key competitive tool was cost—interest rates, fees, etc.—by the late 1990's the key was to find that one aspect of financing in which a country or a company has a comparative advantage and magnify its role—more of a quality differential. A core mission of all our major competitors is to not just to promote exports, but also to promote exports from small companies.

As Secretary Evans' mentioned, the TPCC is reaching out to small- and medium-sized companies in the United States through a survey that seeks to identify obstacles to exporting. Ex-Im Bank is an active participant in this survey process. We have provided specific survey questions related to trade finance issues, and we have identified survey participants whose experiences will add value to the body of knowledge in this area. The information gathered by this survey will equip TPCC agencies to better handle the specific challenges exporting presents to this largely untapped pool of potential exporters. Our task is to turn that information into programs and policies that address the needs our customers have identified. This exercise is a prime example of how a coordinated interagency process can leverage resources and tackle several issues with a single tool.

That said, I must urge everyone here today not to lose sight of the increasingly coordinated efforts other countries have made in terms of their trade promotion. Foreign export credit agencies have been more aggressive in developing programs to assist their exporters. U.S. trade agencies must be aware of these efforts so that they do not lag behind others in an increasingly competitive global landscape.

As part of fulfilling a TPCC initiative to identify the "best practices" of trade promotion exhibited by competitor governments and the private sector, Ex-Im Bank has reviewed the activities of other ECA's around the world. Of all the countries we face, Ex-Im Bank's stiffest competition is from Canada, Germany, Japan and the United Kingdom.

Canada has become more proactive and aggressive regarding its trade promotion and exports. They have changed their focus from the creation of domestic jobs to assisting the exporting company itself. Canada has structured its export credit agency (EDC) to become an active banker in a transaction, encouraging more foreign buyers to purchase Canadian products. They have developed an essentially commercial, market-oriented agency, called a market window, regarding fees and foreign content in which the Canadian government pushes aside its own banks and directly competes with our commercial banks, as well as with Ex-Im Bank. But this is a government agency, and obtains money at sovereign cost and pays no taxes or dividends.

Germany is another country that has changed its approach to export promotion. The key to the German approach is their export credit agency Kreditanstalt fur Wiederaufbau (known as KfW). Up until the mid-1990's, KfW acted solely as Germany's aid agency. The German government then decided to assign an export objective to KfW, and to make those export financing activities self-supporting, although KfW does benefit from tax and cost-of-funds similar to those of the Canadian export credit agency. In the last 5 years, KfW has become perhaps the largest medium/long-term export credit provider in the world, with most of this business conducted outside of OECD controls. Using KfW, Germany can give special support to targeted sectors such as aircraft, and operate in areas where export agencies are constrained. Germany's current strategy is to find ways to expand the utility of KfW while protecting it from OECD control.

In addition to the Market Windows of Canada and Germany, Ex-Im Bank must face competition from Japan through its tied aid transactions. The Japanese export credit system is the least like Ex-Im Bank in terms of mission, legislative oversight, transparency, and sensitivity to external concerns such as the environment, human rights, and so on. In response to the Japanese recession and the Asian economic crisis, Japan has adopted an aggressive strategy of increasing its disbursement of tied aid. In 1992, Japan provided $190 million in tied aid support. By the year 2000, this support had increased to $4 billion. These numbers, and continued concern that Japan operates its "untied" aid program so that much of it is de facto tied, push the envelope on international rules governing government aid programs.

Finally, in the United Kingdom, Ex-Im faces competition from the Export Credit Guarantee Department (ECGD). The ECGD is the export credit agency most like Ex-Im Bank in terms of its basic mission, legislative oversight, transparency, and sensitivity to current political events. However, the ECGD has recently remodeled itself to be a customer-driven ECA, aggressively responding to the changing export environment by positioning itself to be a "one stop shop" and is entering cofinancing

arrangements with other ECA's. Lately, other credit agencies such as Hermes of Germany and COFACE of France, have entered into similar reinsurance agreements based on the ECGD model.

Ex-Im Bank will continue to watch the practices of other ECA's and the trade promotion activities of other nations. We will continue to engage intermediaries involved in international trade and improve our export promotion programs to better compete with other exporting nations. In addition, we will continue to think and act creatively to respond to the rapidly changing patterns of global trade and to provide U.S. exporters with the support they need to succeed in this dynamic environment. TPCC coordination will be at the center of these efforts.

Thank you.

PREPARED STATEMENT OF HECTOR V. BARRETO

ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION

OCTOBER 2, 2001

Mr. Chairman, Ranking Member and distinguished Members, thank you for inviting me to testify today about the Trade Promotion Coordinating Committee's preliminary report and the role that the U.S. Small Business Administration (SBA) plays in the Federal Government's export promotion strategy.

The Bush Administration recognizes the critical link between the U.S. domestic economy and our foreign trade policy. Expanding trade has shown to have many benefits in the United States and around the world. Trade expands markets, grows business and creates jobs. This translates to more choices and better prices for American consumers.

Free and open markets foster economic and political freedom, strengthen democracy and enhance our national security. The Bush Administration is focused on achieving these goals, and it is essential for the Congress and the Administration to work together to increase opportunities for U.S. businesses in international trade.

While the United States is certainly open for business, passage of Trade Promotion Authority will demonstrate to the world that the President and the U.S. Congress are united in their desire to further open trade globally. We need to do as much as possible to give businesses in America every opportunity to succeed by enabling them access to all markets. TPA will remove barriers to allow these businesses involved in international trade to thrive in a global economy through free, fair and open markets, thus allowing U.S. small businesses to become more competitive in the global marketplace.

Currently 97 percent of U.S. exporters are small businesses, numbering a little over 200,000. However, they account for just under a third of the total value of U.S. export sales. This is why SBA's role in fostering U.S. small businesses is so important. Each of SBA's financial and technical assistance programs can assist businesses interested in exporting and we have specific programs in place to assist in creating markets outside the United States. However, to date, our efforts and results have been sporadic.

I intend to more effectively focus our efforts. Through expanded public/private partnerships we can facilitate access to needed information and capital with the goal of increasing revenue, employment and business longevity. Firms engaged in trade are 20 percent more productive, pay wages which are 15 percent higher than nontraders, are 9 percent less likely to go bankrupt and they experience 20 percent greater job growth. The following represents a discussion of SBA's programs and services which we will be examining as part of the TPCC process and as we listen to our customers.

Access to Capital

SBA has several loan programs tailored to small businesses in search of capital to either start or expand their business in exporting. They are the International Trade Loan Program, the Export Working Capital Program, and SBA's Export *Express*. For fiscal year 2001, we approved 419 export loans with a value of $167 million. The International Trade Loan Program provides long-term financing for fixed assets and working capital up to a maximum of $1.25 million for companies impacted by foreign competition or expanding exports.

The Export Working Capital Program is a short-term (less than a year), transaction-backed guaranty program. The program was established by working closely with the Export-Import Bank of the United States (Ex-Im Bank) to develop a seamless product for all of our customers, including the use of the same application for both programs. SBA's program has a maximum of $1 million. The Ex-Im Bank pro-

gram addresses the needs of companies in excess of that amount. In fiscal year 2000, the average SBA EWCP borrower had 9 employees and the average size of the loan was $400,000. The average size Ex-Im Bank loan was $1.6 million.

One example of a firm that has prospered with SBA's EWCP assistance is American Microwave Incorporated of Frederick, Maryland. American Microwave manufactures electronic components for defense systems. In the early 1990's, a cash flow problem brought them to the SBA's Export Working Capital Program. The EWCP program enabled them to expand their export efforts from $40,000 in initial revenues to $2.4 million today.

To help firms with small export finance needs, on October 1, 2000, the Agency rolled out its pilot export loan guaranty product, called SBA Export *Express* (Export *Express*). Export *Express* provides loan guarantees on export loans of up to $150,000. This product can be used to finance export development costs such as participation in a foreign trade show or translation of product catalogs, as well as finance actual orders. We have nearly 300 lenders around the country eligible to participate in Export *Express* lending. We believe it will provide much-needed financial assistance to the fastest growing sector of the small business export community—the service sector.

Let me give you two examples of how this loan program is being used:

- One of the first loans SBA approved under Export *Express* was to a firm in Jackson, Mississippi for $11,000. This company exports produce to South America.
- In May 2001, SBA provided an Export *Express* loan guaranty for $50,000 to a Los Angeles small business distributor of piping insulation and industrial chemicals. They used the proceeds of the loan to support their participation in a trade show in Seoul, Korea. The firm returned from the trade show with orders totaling $4.8 million.

Providing Technical Assistance and Access to Information

Technical assistance and access to information are some of the greatest needs of U.S. small businesses according to the TPCC's National Export Strategy report. As with our access to capital programs, SBA has public/private partnerships in this area to satisfy these needs.

SBA is a partner with the Department of Commerce (DOC) and Ex-Im Bank in the U.S. Export Assistance Center (USEAC) network, colocated at 19 different sites nationwide. SBA/USEAC personnel serve as the primary delivery mechanism for the Agency's export assistance programs, including marketing, counseling and processing of loan applications. USEAC's also provide a critical link between small business clients and a vast array of export promotion services offered by the Federal Government.

To help firms become export-ready, SBA took the lead in working with our public/private partners in creating the Export Trade Assistance Partnership (E–TAP) initiative. E–TAP is a customized process of taking a small group of export-ready companies through all the stages of becoming an exporter. These stages include market research, financing, insuring shipments, and dealing with freight forwarders. Many E–TAP courses incorporate foreign trade events as part of the program. Because of the scope of customized assistance, this program would not be possible without the dedicated support of SBA's private and public sector partners. Partners who provide coordinated assistance include SBA's Small Business Development Centers (SBDC's), particularly their International Trade Centers, Service Corp of Retired Executives (SCORE), DOC's Commercial Service, Ex-Im Bank, State and local trade offices, individual freight forwarders, customs brokers, insurance brokers and international attorneys. All bring together essential export information, at little cost to the small business.

In fiscal year 2000, SBA delivered E–TAP training to 328 small business participants, resulting in export sales of $138 million. This initiative made it possible for an E–TAP-trained company in Dallas, Texas to grow their export markets and use SBA's capital programs. They produce a niche medical product, which essentially allows for the repair rather than the replacement of oxygen sensors used by hospitals for monitoring trauma victims. The company now exports to over 30 countries.

Conclusion

I am excited about prospects for U.S. small business in the global marketplace. We realize the need to reach more of the 25 million small businesses in the United States today. We need to do a better job of outreach, and listen to them in order to adapt and create products that meet their changing needs. We are committed to expanding our tradition of enrolling our public and private partners in these efforts and will continue to work toward these goals with our TPCC partners.

It is an exiting time to be involved in international trade, and we have a President who has made it a priority to assist the American businesses in the global marketplace. I look forward to working with our President, other TPCC members and the Congress to assist our small business exporters.

Thank you. I would be happy to answer any questions you may have.

PREPARED STATEMENT OF PETER S. WATSON

PRESIDENT AND CHIEF EXECUTIVE OFFICER
OVERSEAS PRIVATE INVESTMENT CORPORATION

OCTOBER 2, 2001

Mr. Chairman and Members of the Committee, thank you for the strong leadership and support you have given toward establishing a coordinated United States trade program. It is a privilege for me to join in this panel today with my distinguished colleagues from the Commerce Department, Small Business Administration, Export-Import Bank (Ex-Im Bank) and Trade and Development Agency (TDA).

As you have heard today, the Trade Promotion Coordination Committee (TPCC) is poised to assess and reinvigorate a unified trade program for the U.S. Government, a particularly important responsibility given the economic disruption which we have experienced since the tragedy of September 11.

Our success will be driven considerably by the guidance and vision which Secretary of Commerce Don Evans has given the TPCC, in part based on his long years of private business experience, and by the strong leadership of Under Secretary of International Trade Grant Aldonas, who has helped develop the blueprint before you today.

Even before the creation of the TPCC, the Overseas Private Investment Corporation (OPIC) has had a long tradition of cooperation with its sister agencies. Today, I pledge to build and strengthen that relationship.

OPIC plays a vital role in the economic and social development of less developed countries and areas, as well as countries in transition from nonmarket economies. These countries look to U.S. investment to help create jobs, improve infrastructure, generate goods and services, and thereby contribute to economic growth and the creation of free-market systems. As a developmental agency, OPIC can help stabilize financial markets in the developing world by facilitating U.S. private investment in countries most in need of support and economic development.

As the primary U.S. Government agency focused on private sector investment in exclusively the developing world and emerging economies, OPIC builds on the premise that trade is the initial step in the international expansion of a company. Only after a manufacturing company is comfortable with the establishment of export relationships and is confident of an overseas market for its products will it seriously contemplate the next step of making an overseas investment. For this reason, we have valued and benefited from the cooperation, support and information flow from all of the trade agencies represented on the TPCC.

At the same time, we are keenly aware that OPIC's mission is in many ways distinct from that of the more traditional trade agencies. OPIC is an integral part of the foreign assistance program of the United States, born out of the Marshall Plan, and focused on the belief that concessional aid alone cannot bring about the economic development so sorely needed in much of the world.

Private investment has been viewed as a highly effective method of achieving the goal of teaching nations "how to fish" rather than giving them fish. And years of experience have amply demonstrated that U.S. overseas private investment continues to be a magnet for U.S. exports as overseas affiliates of U.S. companies source their goods and services from here. And so, OPIC has the enviable job of supporting investments that not only serve our Nation's foreign/development assistance objectives, but also have beneficial impacts in the U.S. through the creation of export-related jobs.

Our focus is increasingly on those countries where the needs are greatest and on the U.S. small and medium businesses that otherwise would hesitate to expand overseas without OPIC financing or insurance. Fortuitously, these are the same markets where our Nation's trade assistance programs as implemented by fellow members of the TPCC can also have significant impact. It is the developing country markets that will continue to grow the fastest and it is those same markets where our exports are in demand.

We have already seen the benefits of interagency cooperation in the recent White House visit of Indonesia President Megawati. During that visit President Bush an-

nounced a joint trade and finance initiative developed by OPIC, the Ex-Im Bank and TDA. This cooperative undertaking will provide up to $400 million in financing to promote trade and investment opportunities in Indonesia, with OPIC and Ex-Im Bank focusing on projects in the oil and gas sector. Financing will be subject to the normal terms and conditions established by each agency's programs. OPIC is pleased to join with our sister agencies to support the President's policy of assisting economic development in Indonesia, an important U.S. ally and a country with the world's second largest Muslim population, and I can report today that discussions are already underway with private sector companies that could fulfill this important commitment to Indonesia.

Another area of cooperation is promotion of business development in countries of specific U.S. interest. I am pleased to be a participant in the business development delegation being led by Secretary of Commerce Evans to Russia on October 14–16, 2001. The mission, undertaken at the direction of President Bush, will include senior executives from approximately 15 U.S. companies representing a variety of sizes and sectors. The mission will affirm U.S. Government support of Russia's economic reforms and assess ways to improve access by U.S. businesses to the Russian market.

OPIC continues to play a key role in the TPCC's interagency Advocacy Network, which provides systematic U.S. Government advocacy support to small, medium, and large U.S. exporters to help level the playing field against foreign competition and win foreign government contracts. Through the Commerce Department's Advocacy Center, OPIC has worked closely with advocacy counterparts from the trade agencies, providing financing and insurance support for U.S. exporters involved in various industry sectors in emerging markets and developing economies worldwide. The "team approach" employed by OPIC, the Departments of Commerce and State, and the United States Embassy in Bulgaria in providing continuous and aggressive advocacy support, including $200 million in political risk insurance, for a $450 million United States power plant project in Bulgaria epitomizes the importance of TPCC interagency cooperation.

OPIC Will Refocus Its Activities Toward Development

At its core, OPIC remains committed to return to its overarching developmental mandate. OPIC's principal mission is "to mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from nonmarket to market economies, thereby complementing the development assistance objectives of the United States."

Since 1971, OPIC has accomplished this mission by supporting more than 3,000 projects throughout the developing world. Cumulatively, these projects have supported host country jobs and have contributed to the host country tax base and infrastructure. As of March 31, 2001, OPIC is managing a portfolio of 316 active projects in locations that range from Algeria to Zimbabwe. The activities of these projects are diverse and include manufacturing plants, communications operations, gas pipelines, power plants, financial services institutions, mining operations, tourism/hotel projects, and agricultural operations.

Equally true is the proposition that U.S. small and medium businesses are increasingly important drivers for our economy and have the most to gain from increasing their share of the export market. All of this gives me great confidence that despite differences in our mandates, OPIC and the other members of the TPCC will continue to have great synergy in our work and in achieving results that are critical for long-term economic development abroad at the same time that they create jobs and exports here in the United States.

We at OPIC look forward to the benchmarking exercise that the TPCC has launched and applaud the outreach to customers of our services. We are committed to serving them as effectively and efficiently as possible and tailoring our products and services to meet their changing needs. Indeed the work of the TPCC will complement quite well the work that OPIC itself has embarked upon in assessing its programs, refocusing our efforts toward the countries in greatest need and streamlining our operations.

OPIC Will Make Small Business A Top Priority

OPIC's authorizing legislation directs the agency to pay special attention to the needs of American small businesses. However, OPIC has yet to fulfill its potential in this area. In the coming months, OPIC will reexamine its opportunities to assist small business.

One particular avenue that we have already identified and are exploring is the extent to which OPIC can complement or even leverage the work of other agencies.

For example, the U.S. Small Business Administration (SBA) is a great resource for U.S. small businesses that are seeking to establish themselves or expand in and from the United States, which may be significantly enhanced with OPIC support. We are engaging for OPIC to partner with the SBA in a mutually beneficial manner that would advance the achievement of both agencies' missions. OPIC is also working closely with the U.S. and Foreign Commercial Service at the Department of Commerce to provide small companies with the most up-to-date information on international markets and the appropriate financing tools they need.

Most importantly, such cooperation would greatly assist American small businesses seeking to establish a presence in developing regions. Small businesses often do not meet the profile that private sector financial institutions and insurers are looking for in their overseas clients. This is where the development goals of the U.S. Government, the needs of small business, and OPIC's programs intersect. With OPIC's assistance, the proven dynamism of U.S. small businesses can be leveraged to produce viable projects in the developing world.

OPIC Will Streamline And Improve Business Procedures

In addition to the TPCC review, OPIC's management and staff are committed to increasing responsiveness to stakeholders and streamlining business processes. By streamlining OPIC's application process and publicizing OPIC's political risk insurance and finance products, OPIC will continue to improve its efficiency and effectiveness. Minimizing red tape and providing responsive service to all who have an interest in the agency's operations is one of the critical links in OPIC's efforts to leverage its funding into viable projects. Toward this end, OPIC will:

- *Be Responsive to the Needs of Clients and Stakeholders.* Through customer surveys and hosting annual client conferences, OPIC will explore new ways to improve communications with its clients and stakeholders, both in formal and informal contexts.
- *Streamline Application Processes.* One of the most effective ways that OPIC can improve its ability to leverage investment is by eliminating bureaucratic procedures. By streamlining its paperwork requirements and adopting electronic processes, OPIC will be better able to serve American businesses—both large and small—that cannot afford a long and expensive application process that is not geared to the faster pace of decisionmaking that is required today.
- *Delay the Decisionmaking and Approval Process.* In keeping with Presidential guidance to make Government more citizen-centered, OPIC is reducing the distance between the line staff who deal with the public on a day-to-day basis and program leadership.

OPIC's Programs And Benefits

For those less familiar with OPIC's responsibilities of supporting development and stability in strategic regions around the world, let me describe our programs and their results.

Because of its core development and foreign policy mission, OPIC operates under the Foreign Assistance Act, under the direct oversight of the Senate Foreign Relations Committee, and the Subcommittee currently chaired by Chairman Sarbanes, and formerly chaired by Senator Hagel. Working together, they have given OPIC a strong vision for promoting international economic development which also provides significant benefits to the United States at no cost to the taxpayers.

OPIC provides financing and political risk insurance to mitigate the risks faced by U.S. investors in emerging markets and developing economies where private support is generally not available. Insurance is available for up to 20 years for new investments in new projects or expansions of existing projects. OPIC protects against the risks of inconvertibility, expropriation, and political violence.

OPIC provides financing to U.S. companies, or companies with significant U.S. management involvement, in the form of direct loans and loan guaranties with medium- to long-term repayment terms. OPIC also supports the creation and capitalization of long-term, private direct equity funds that invest in new, expanding, or privatizing companies in emerging and developing market economies.

All OPIC-supported projects must be financially sound, promise significant benefits to the social and economic development of the host country, and cause no harm to the U.S. economy. Projects must also avoid major or unreasonable environmental, health and safety impacts, and comply with OPIC's statutory requirements with respect to internationally recognized worker rights.

I am pleased that OPIC projects are having a positive impact in developing countries. OPIC projects have helped developing countries to generate host-government revenues and create host-country jobs. At the same time, OPIC-supported invest-

ments are helping create American jobs and U.S. exports. Over the agency's 30-year history, OPIC has supported $138 billion worth of investments that will generate $64 billion in U.S. exports and support nearly 250,000 American jobs.

In fiscal year 2000, OPIC assisted 40 projects in 27 countries or regions, involving a wide range of industries. These projects will have a significant developmental impact in the host country. Thirty-seven of the 40 OPIC-supported projects in fiscal year 2000 were located in the low- and middle-income developing countries. The projects are also expected to generate $2.3 billion in U.S. exports, support over 6,000 U.S. jobs and have a positive impact on the U.S. balance of payments.

Forty percent of all projects OPIC supported in fiscal year 2000 involved U.S. small businesses. Data on the specific U.S. companies that will provide goods and services to OPIC-assisted projects for the 7 fiscal years 1994 through 2000 show the specific U.S. suppliers for $11.4 billion in expected procurement for OPIC-assisted projects. These U.S. companies are located in 46 States. It is estimated that approximately 62 percent of these identified suppliers to OPIC-backed projects are U.S. small businesses.

Finally, it is very important to note that at the same time OPIC is reaching out to serve the needs of small business in challenging regions, OPIC remains financially strong. In fiscal year 2000, OPIC generated net income of $185 million and received an unqualified audit opinion from the independent accounting firm of PricewaterhouseCoopers LLP. At the close of fiscal year 2000, OPIC's combined finance and insurance portfolio maximum exposure was $16.8 billion while accumulated reserves reached a record $4 billion. This balance provides strong financial protection against future claims or defaults.

OPIC projects are having a broad impact across the globe. In South America, OPIC is helping build the foundation for economic growth in the region by supporting various infrastructure projects in the telecommunications, energy, and banking sectors. In Trinidad and Tobago, OPIC is providing financial support for the development of a seawater desalination plant that will help alleviate chronic drinking water shortages in the country.

In Africa, recent projects involve a wide variety of sectors, such as gas field development and production, a tourist hotel, a microlending facility for microenterprises, and a toothpaste manufacturing facility. In Equatorial Guinea, OPIC provided a $173 million guaranty for the construction, ownership and operation of a methanol plant. This is the largest single investment OPIC has ever supported in sub-Saharan Africa. The project will contribute simultaneously to private sector development in Equatorial Guinea and to the improvement of local air quality by processing gas that would otherwise be flared.

Elsewhere, OPIC recently approved a $2.5 million direct loan to support home improvements in Mexico—OPIC's largest project in Mexico since establishing a new small business initiative there. The OPIC direct loan, to Maryland-based CHF International (Cooperative Housing Foundation), will help establish a new on-lending facility to provide loans for home improvements in Mexico, including the provision of safe and adequate housing for workers along the United States-Mexico border. Proceeds of the loan will go to Mexican nonprofit organizations, which in turn will lend money to individual Mexicans to finance home improvements. CHF will also offer educational programs for potential lenders and borrowers.

CHF, which celebrates its 50th anniversary next year, has since 1962 provided international shelter-related technical and capital assistance and training, and currently supports programs in Mexico, Gaza, Honduras, Jordan, Lebanon, Philippines, Romania and El Salvador. Adequate housing is the most basic unit of a country's infrastructure, and a necessary foundation for its economic development. OPIC is pleased to work with a respected organization such as CHF to enable Mexico to improve its housing stock, to the economic benefit of both our countries.

In the Philippines, OPIC has supported Counterpart International and its affiliate EnviroVentures for the first two projects to be financed by a $1 million initiative to assist environmentally friendly small- and medium-sized enterprises. OPIC released $200,000 in loans for construction of environmentally sustainable low-cost housing, as well as for a project expanding the marketing program for a seaweed-based fertilizer product. For the housing project, construction materials that require less energy to produce than do standard materials will be purchased from small local producers, thereby benefiting both the environment and the small business community. The seaweed-based fertilizer project, will benefit the environment in two ways: First, the fertilizer product is manufactured by recycling waste from local seaweed processing plants. Second, increasing the use of organic versus chemical fertilizers is environmentally beneficial, particularly in areas of the Philippines where overuse of chemical fertilizers is a concern.

As part of its continuing effort to promote private investment in the Newly Independent States, OPIC supported a project to restore an historic hotel in Armenia, one of the largest private foreign direct investments of its kind in Armenia. OPIC is providing an $18 million loan to a small business group comprised largely of Armenian-Americans to privatize the Hotel Armenia—the agency's first finance deal in the Caucasus nation. Opening of the Hotel Armenia project is expected to spur economic development in Armenia and to foster tourism. The project is expected to generate $25 million in U.S. exports during the first 5 years of operation. In addition, approximately $14 million will be spent in Armenia on renovating the hotel, plus annual operating procurement of $6 million from the host country. The project will also bring much-needed private sector career training in the hospitality sector to Armenia, as Marriott International, Inc. will manage the hotel and train the staff in the hospitality practices and procedures developed for its hotels worldwide.

Conclusion

Looking ahead, in cooperation with our TPCC colleagues, OPIC's activities will focus closely on development and companies and countries that have difficulty accessing private financing or insurance. OPIC will also increase its efforts to ensure that its programs complement the private market rather than compete with it. Working together we can develop OPIC as a foreign policy program focused on development that is making an important difference to people in developing countries and in America, as well.

I will be pleased to respond to your questions.

PREPARED STATEMENT OF THELMA J. ASKEY

DIRECTOR, U.S. TRADE AND DEVELOPMENT AGENCY

OCTOBER 2, 2001

Introduction

Good morning, Chairman Sarbanes, Senator Gramm and Members of the Committee. A number of you have been friends of the U.S. Trade and Development Agency (TDA) for many years, and are well acquainted with the agency. However, I recognize that TDA is a small agency outside the jurisdiction of the Banking Committee, and I would like to take this opportunity to outline briefly what the agency does and how it works with the Trade Promotion Coordinating Committee (TPCC) to promote U.S. exports and create American jobs.

What TDA Does

TDA promotes American private sector participation in development projects in low- and middle-income countries, with special emphasis on economic sectors that represent significant U.S. export potential. As you all know quite well, this is no easy task in today's global marketplace. In addition to the substantial economic challenges facing U.S. exports in many markets, U.S. firms face aggressive competition from foreign producers for contracts associated with projects in the countries where TDA operates. TDA's biggest competitors for overseas projects are Japan, Canada, and the European Union and its member states.

Overseas competitors often receive substantial assistance from their home governments in pursuing projects. Many, if not most, of the countries I named earlier use foreign aid programs to secure contracts for their companies. They also concentrate their foreign aid on influencing spending by the World Bank and other multilateral development banks (MDB's) through trust funds. While TDA also maintains trust funds at these institutions, the contributions made by other countries dwarf TDA's in size. Because of the manner in which MDB's look for financing, these larger trust funds give TDA's competitors an edge in identifying project opportunities for their national companies.

TDA works hard to level this uneven playing field. Because foreign governments provide higher assistance levels to their businesses, TDA must work harder and smarter to produce results for U.S. firms. In particular, most of TDA's work focuses on the initial planning stages of development projects. By supporting U.S. company involvement at the ground level, TDA enhances the chances that project specifications will be compatible with U.S. standards and that U.S. firms will be well positioned for follow-on project work.

TDA's "toolbox" for fighting unfair foreign competition contains a number of instruments. The most common tools are funding feasibility studies, conducting orientation visits, and hosting trade conferences. TDA also provides training and technical assistance grants, and performs preliminary internal due diligence efforts

to evaluate potential development projects and ensure that potential projects warrant the use of taxpayer funds. TDA's technical assistance may be project specific, or more broadbased, supporting capacity building institutions and trade agreement implementation. These tools assist TDA in building mutually beneficial partnerships between American companies and overseas project sponsors, which result in increased U.S. exports and jobs and the completion of high quality, successful projects in host countries. All TDA-provided assistance such as feasibility study grants or technical assistance must be used to hire U.S. firms to conduct the work.

For funding consideration, all TDA-affiliated projects must meet four criteria. The project must:

- Be likely to receive implementation financing and have a procurement process that provides "equal access" to U.S. firms.
- Represent an opportunity for sales of U.S. goods and services that is many times greater than the initial investment of TDA assistance.
- Be a development priority of the country where the project is located and have the endorsement of the U.S. Embassy in that nation.
- Face strong competition from foreign companies that may receive subsidies and other support from their governments.

TDA's goals are two-fold: helping American businesses export their products, thereby creating jobs, while simultaneously promoting commercially viable economic growth in developing and middle-income countries. Since 1981, TDA has been associated with more than $17 billion in exports—or over $35 in exports for every dollar invested in its program activities.

I mentioned above that TDA provides technical assistance in areas such as telecommunications and the environment. These programs are among the U.S. Government's tools for supporting capacity building initiatives and the implementation of trade agreements. TDA can provide funding for technical assistance to countries as they establish or revise laws and regulations, either in order to comply with existing or anticipated international agreements, or as a part of an overall strategy to expand trade and economic capacity. TDA aims to provide resources to governments seeking to create or modify their legal and regulatory structures in particular sectors that are compatible with competitive U.S. exports. Such assistance is intended to support TDA's dual trade and development mission by both fostering development in the host country and assisting U.S. businesses develop relationships, which lead to an increase of U.S. exports.

TDA has funded such broadbased technical assistance projects around the world. For example, TDA has placed a technical advisor in the Venezuelan telecommunications agency, advisors in Bosnia and Herzegovina for developing infrastructure programs related to energy and utilities, and a privatization advisor with the Romanian Ministry of Transportation to provide policy, technical and executive support to privatization efforts. TDA is currently in the process of placing an advisor in Azerbaijan to assist with that country's World Trade Organization accession efforts.

TDA Work With Other Agencies

TDA has worked hard to achieve this level of success, but it has not done it alone. TDA takes great pride in the close relationships it maintains with other U.S. Government entities in identifying and in pursuing U.S. export opportunities while advancing development priorities in low- and middle-income countries. The agency is especially grateful to Secretary Evans for his leadership of the Trade Promotion Coordinating Committee. TDA believes that TPCC provides an excellent framework to coordinate the U.S. Government's trade promotion operations.

Most prominently, TDA works with TPCC policy agencies, such as the Departments of Commerce and State. Additionally, TDA frequently partners with the U.S. Export-Import Bank (Ex-Im) and the Overseas Private Investment Corporation (OPIC) to conduct trade promotion activities overseas and identify promising project opportunities. Notably, the three agencies work together in joint centers in Croatia and Turkey. In the near future, we will look to these field offices to respond more quickly to the commercial and developmental needs of countries in strategic locales and during difficult, uncertain times. TDA also supports initiatives of the Office of the U.S. Trade Representative.

TDA is extremely proud of its ability to increase U.S. exports by working with agencies that do not have a traditional trade promotion focus. For example, both the Federal Aviation Administration (FAA) and the Federal Emergency Management Agency (FEMA) have worked with TDA to promote U.S. exports in recent years. In support of TDA trade promotion efforts, the FAA has trained foreign air traffic controllers in U.S. technology and FEMA has promoted U.S. emergency management technology by cohosting emergency management conferences with TDA. TDA's co-

ordination with these and other agencies allows TDA to promote U.S. exports and helps project sponsors meet their development objectives by utilizing the specific expertise of a wide range of U.S. Government agencies. Moreover, TDA's export and development oriented mission helps other agencies to achieve their own international policy objectives.

FAA Projects

An example of where TDA has coordinated with the FAA is aviation technology in India. Over the next decade, India's air passenger traffic is projected to grow at an annual rate of 12.5 percent for domestic travel and 7 percent for international travel. TDA and the FAA are working to ensure that India can meet this demand through the implementation of a modern and efficient integrated communications, navigation, surveillance, air traffic, and maintenance (CNS/ATM) systems. To help India develop this system, last year TDA provided a $450,600 grant to Airports Authority of India (AAI) to hire an American firm to conduct a feasibility study on implementing such a system. Subsequently, TDA funded a workshop for the FAA to train AAI and Indian Ministry of Civil Aviation officials on the new technology. As the leading manufacturer of CNS/ATM systems, TDA expects U.S. companies to export over $180 million in procurements related to this project when it is implemented.

FEMA Projects

TDA also has worked with FEMA on several events in recent years. In 2000, TDA cosponsored an Asian regional conference with FEMA and the Department of Commerce on emergency management in Honolulu, Hawaii. The conference highlighted 40 projects in 10 Asian countries that hold significant United States export potential in a variety of sectors, including flood plain management, disaster management information and communications systems, and interagency disaster training. The National Oceanic and Atmospheric Administration, the Data and Information Service, the Centers for Disease Control and Prevention, the Department of Defense's Center for Excellence, the U.S. Agency for International Development, and the U.S. Export-Import Bank also participated in the Honolulu conference.

TPCC

As mentioned previously, TDA is an active member of the TPCC in its efforts to coordinate trade promotion activities and develop trade-related data to evaluate U.S. export promotion policy. TDA is actively supporting the TPCC's efforts to identify and quantify the means that foreign governments use to obtain advantageous benefits for their national companies at the expense of U.S. firms.

TDA and the other members of the TPCC are ready to meet the challenges before us in preserving and promoting commercial environments around the globe, even in these difficult times. We are particularly focused on those countries in which the United States has particular trade, economic or strategic interest.

In fact, this is exactly how the TPCC can be most useful, by providing focus to the various agencies in order to respond to particular priorities, such as coordinating trade development efforts in the wake of the September 11 attacks, supporting the Administration's environmental strategy, and supporting the negotiation and implementation of new trade agreements. Additionally, the TPCC can focus efforts to work with foreign governments making the shift to democracy and to market-based economies. The best long-term strategy for the United States to make its presence felt in such countries is by supporting commercial development, and the TPCC is well-suited, and well-positioned, for such a role.

TDA Supports U.S. Trade Expansion Efforts

TDA typically promotes U.S. exports by providing assistance for specific infrastructure projects around the world. TDA's record shows that the agency excels at using this approach to assist U.S. companies competing for development projects. However, TDA is also effective in promoting U.S. exports at a more fundamental level. For example, TDA looks at supporting broader sectoral efforts that can result in increased U.S. exports and prevent other countries from imposing standards that exclude U.S. firms. This strategy of helping countries develop better legal and regulatory regimes promotes exports by creating a more favorable commercial environment for U.S. firms. For example, TDA recently provided technical assistance to aid the Venezuelan government's deregulation of its telecommunications industry and to develop new specifications for modernizing that industry. TDA estimates the potential value of exports to Venezuela in the telecommunications sector will top $10 billion over the next few years. Because of TDA's work with the Venezuelan government, U.S. firms are well positioned to provide the bulk of these goods.

TDA-provided technical assistance also can be a useful tool for USTR. Once USTR negotiates a trade agreement, TDA can provide the technical assistance some trading partners may need to implement their commitments. Most U.S. trading partners want to comply with the standards in international agreements, but some of them may not possess the technical expertise to bring their international trade regimes in line with their obligations. By providing such technical assistance to our trading partners, TDA enhances their capability to meet their commitments and ensures that U.S. firms will be able to realize the benefits of these agreements, namely a fair and open regulatory and legal environment. TDA is committed to working with USTR in this manner to create favorable export climates for U.S. firms.

TDA also is committed to improving the physical climate and environment of the nations in which we operate. Water and environment projects constitute TDA's third largest economic investment sector and typically involve such projects as clean potable water and wastewater treatment. Additionally, TDA examines environmental issues in virtually all TDA activities and identifies possible solutions to minimize or alleviate these concerns. By promoting environmentally friendly projects, TDA is a valuable part of the U.S. Government's toolkit for promoting trade.

As an agency dedicated to promoting U.S. exports overseas, TDA supports the Administration's efforts to obtain Presidential Trade Promotion Authority (TPA). As you know, prior to this Administration, every President since President Nixon has had the authority to negotiate trade agreements with foreign nations. TPA is necessary because other nations are unwilling to negotiate with the United States and make trade concessions if the U.S. Congress is likely to overturn elements of the final package. Currently, there are over 150 free trade agreements among world nations. The United States is a party to fewer than half a dozen of these. Every free trade agreement negotiated without U.S. involvement puts American firms at a further competitive disadvantage in exporting goods to the nations involved in the agreement.

Currently, free trade agreements give our competitors an advantage and make U.S. goods comparatively more expensive in the affected markets. These tariff differentials hinder TDA's ability to do its job because cost considerations make project sponsors less likely to select U.S. suppliers if American goods are significantly more expensive. The United States must level the playing field for U.S. firms by securing equal tariff treatment for them in foreign markets.

Closing

In closing, I would like to the thank the Members of this Committee for the opportunity to appear today and discuss what TDA is doing to increase U.S. exports and create American jobs and how TDA works with the other members of the TPCC. I look forward to answering your questions.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR REED FROM JOHN E. ROBSON

Q.1. Can you discuss, in detail, some of the specific programs or strategies which will reach out to small- or medium-sized businesses in order to encourage greater export promotion?

A.1. Ex-Im Bank's Small & New Business Group was established in the early 1990's to dedicate resources to small businesses and to develop programs and products that address their exporting needs. The group works along cross-divisional lines within the Bank to promote its services to small business. Initiatives geared toward small business include direct rural campaigns, local seminars, strategic partnerships with both private and Government agencies, effective website design and selective advertising. Bank products also provide special enhancements to small business exporters thereby creating a more attractive financial package for the small business. In addition, an Emerging Exporter Group has been established to support the Bank's effort and statutory mandate to support specific underserved markets such as minority- and woman-owned businesses.

In fiscal year 2001, Ex-Im Bank authorized more than $1.6 billion in support of U.S. small businesses, which is nearly 18 percent of total authorizations. The Bank approved 2,124 small business transactions that represented 90 percent of the total number of transactions. Fiscal year 2001 was also a record year for Ex-Im Bank's working capital guarantee program with $660 million in authorizations of which $518 million benefited small businesses.

Q.2. How will these strategies compete with other nations' programs, especially with the comparatively less funding that we provide to our trade promotion agencies?

A.2. With a limited budget Ex-Im Bank has effectively promoted its efforts through effective technology innovations and the development of an exporter database, which serves as the cornerstone of small business product delivery. In fact, Ex-Im Bank's strategies have been emulated by other export credit agencies worldwide.

Q.3. How can you work more effectively with organizations, agencies, or the private sector on a regional or local level to carry out this goal of greater export promotion?

A.3. Ex-Im Bank has joined forces with many entities to create greater awareness of small business. The establishment of U.S. Export Assistance Centers throughout the country has created a "one stop shop" that provides valuable information to small business exporters. The Bank also works with city/State partners, commercial banks, asset-based lenders, brokers and other Government agencies to provide financial assistance to small business. We are constantly striving to improve these relationships and our service. In addition, the Bank has delegated lending authority to some of these delivery mechanisms to improve the application and decision efficiency.

Q.4. How will you ensure that these programs are effectively reaching and assisting these businesses?

A.4. Ex-Im Bank constantly monitors its outreach efforts and products to insure program effectiveness. Response rates to direct mail and critiques to regional and local seminars are analyzed to im-

prove our delivery mechanisms to the marketplace. Our exporter database now numbering over 200,000 is constantly evaluated and "scrubbed" for completeness and accuracy to insure that we are reaching the proper clientele.

Q.5. How can you target these programs to emerging markets, where our country is rapidly losing the most market share?

A.5. Attaining emerging market share becomes a self-policing mechanism for Ex-Im Bank inasmuch as it is these markets that demand the Bank's support more so than developed countries. Ex-Im Bank accomplishes emerging market objectives through partnerships with commercial banks and other partners, who entertain this business only with the Bank's support. Ex-Im Bank is also marketing its products to all exporters dealing in emerging markets.

Q.6. How do you envision recent heightened security concerns to affect exporting industries? What measures are being taken to both assist current U.S. exporters and ease the concerns of potential exporters?

A.6. The events of September 11 have had a negative impact on U.S. export industries. Export sales have been hurt by declining demand in overseas markets that have been affected by the economic downturn in the United States. In addition, terrorist activities in the West and military hostilities in South Asia have raised concerns about country risk and have made financial institutions more risk averse, which has reduced the availability of private sector finance for sales to emerging markets.

Ex-Im Bank fills a valuable role by assisting exporters during these difficult times. One of the Bank's main missions is to fill financing gaps created by the unwillingness of private lenders to accept certain risks. As a result, while maintaining its mandate for a reasonable assurance of repayment, the Bank remains open for business in many emerging markets where private sector financing is now limited or unavailable. To fill a specific financing gap arising from the September 11 events, Ex-Im Bank, along with many other governments, agreed to provide for a limited time, "gap" third party war risk insurance coverage for air carriers that had lost or could no longer afford the insurance. The Bank continues to monitor developments in the private market to fill other gaps in private market financing, as appropriate.

Q.7. Can you discuss any ongoing coordination with agencies such as the Department of State, Department of Defense, and the Department of Agriculture to address these ongoing security concerns?

A.7. Ex-Im Bank works closely with the Department of Treasury, the Department of Commerce and other U.S. Government agencies as well as the National Security Council to monitor economic and political developments in emerging markets and to stay abreast of business opportunities for U.S. exporters. The Bank is also working closely with its sister agencies, OPIC and the Trade Development Agency, on a number of projects in emerging markets. Finally, the Trade Promotion Coordinating Committee continues to be an ave-

nue of coordination and consultation with individual agencies on trade issues as they arise.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR REED FROM HECTOR V. BARRETO

Q.1. Can you discuss, in detail, some of the specific programs or strategies which will reach out to small- or medium-sized businesses in order to encourage greater export promotion? How will these strategies compete with other nations' programs, especially with the comparatively less funding that we provide to our trade promotion agencies? How can you work more effectively with organizations, agencies, or the private sector on a regional or local level to carry out this goal of greater export promotion? How will you ensure that these programs are effectively reaching and assisting these businesses? How can you target these programs to emerging markets, where our country is rapidly losing the most market share?

A.1. Recent trade statistics from the Census Bureau show that two-thirds of all U.S. exporters have less than 20 employees and one-third of these firms had just one employee. To support and encourage the growth of this segment of the exporter population, the SBA developed a new loan guaranty program called Export *Express*. Export *Express* combines lending and technical assistance to help small businesses that have difficulty in obtaining adequate export financing. Export *Express* lenders use streamlined and expedited loan review and approval procedures and receive SBA's guaranty on loans of up to $150,000. Completed loan applications are faxed to the Agency's Sacramento Processing Office for review; the SBA typically provides lenders with a response within 36 hours.

Technical assistance is provided to borrowers under this program by the U.S. Export Assistance Center personnel, in cooperation with the SBA's network of resource partners. Export *Express* can finance the start-up costs associated with developing a new export market, including translating product brochures into foreign languages and participating in foreign trade shows. In addition, the program can be used to provide general export lines of credit.

The SBA works extensively with other Federal agencies such as the Department of Commerce and the Export-Import Bank to coordinate the delivery of services to small firms. To ensure that these programs are effectively reaching and assisting small businesses, the SBA is actively participating in the Trade Promotion and Coordinating Committee's (TPCC) current review of Federal export assistance programs. The SBA is providing both financial and technical support of the TPCC/Keenan Institute survey of U.S. small business exporters that will be completed this coming January and we are providing technical support for TPCC-run focus groups which are being held around the country to solicit the input of the small business community.

To facilitate access to emerging markets for small business, SBA is involved in strategic partnerships with other countries' small business support agencies to match business participants. For example, to take advantage of the opportunities we see for U.S. small businesses in Mexico, the SBA signed an External Cooperative Agreement with Nacional Financiera (NAFIN), Mexico's develop-

ment bank, and the Ministry of the Economy in March of 2001. The agreement allows the SBA to have a working relationship with Federal agency counterparts in the facilitation of trade promotion and finance in Mexico. As part of the agreement, the SBA and the Commercial Service (CS) Mexico City worked with the Mexican Government in organizing a conference on Business Opportunities for United States and Mexican small- and medium-size companies, March 27–28, 2001. Seventy U.S. small businesses participated in this event which allowed U.S. firms to meet one-on-one with prescreened Mexican businesses.

More recently, SBA led a delegation of United States small companies to Guadalajara attending a conference on "Doing Business in Mexico." SBA recruited new-to-export and new-to-market small businesses to participate in this event. It provided participating small businesses with a chance to not only attend a unique trade conference on doing business in Mexico but also with the opportunity to meet with Mexican small and medium firms in selected industry sectors.

Q.2. How do you envision recent heightened security concerns to affect exporting industries? What measures are being taken to both assist current exports and ease the concerns of potential exporters? Can you discuss any ongoing coordination with agencies such as the Department of State, Department of Defense, and the Department of Agriculture to address these ongoing security concerns?

A.2. While SBA does not have initiatives underway to address ongoing security concerns that may effect exporting industries as a result of September 11, we are an active partner in the Trade Promotion and Coordinating Committee's (TPCC) network of 19 agencies. The TPCC—which includes the Department of Defense, Department of State, and Department of Agriculture—meets regularly to discuss challenges, propose program initiatives, work on developing new products, and avoid duplication of efforts in relation to meeting small business needs. As the TPCC addresses these issues, SBA expects to play a role in representing the interests of U.S. small business.

The SBA is working specifically with DOD to develop and expand contract opportunities available in the areas of international trade with a special emphasis on Federal procurement.

RESPONSE TO A WRITTEN QUESTION OF SENATOR MILLER FROM HECTOR V. BARRETO

Q.1. Will the SBA be providing "Disaster Relief" type loans to those aviation businesses directly affected by the FAA's "No Fly Rule" after the WTC Disaster, and if so, in what aspects?

A.1. The U.S. Small Business Administration is currently providing working capital loans to small businesses, including aviation businesses, that were directly impacted by the destruction of the World Trade Center or damage to the Pentagon on September 11, 2001, or *Federal actions taken in response to those actions between September 11 and October 22, 2001.* The FAA's "No Fly Rule" is a Federal Action. An aviation small business may be eligible for consideration of a loan under SBA's Economic Injury Disaster Loan

program where there is a direct causal relationship between the business and the Federal Action.

Under the Economic Injury Disaster Loan program, the SBA can make direct low interest and long-term working capital loans to help eligible businesses meet their obligations and pay ordinary and necessary operating expenses that they are now unable to pay as a direct result of the disaster.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR REED FROM PETER S. WATSON

Q.1. Can you discuss, in detail, some of the specific programs or strategies that will reach out to small- or medium-sized businesses in order to encourage greater export promotion? How will these strategies compete with other nations' programs, especially with the comparatively less funding that we provide to our trade promotion agencies? How can you work more effectively with organizations, agencies, or the private sector on a regional or local level to carry out this goal of greater export promotion? How will you ensure that these programs are effectively reaching and assisting these businesses? How can you target these programs to emerging markets, where our country is rapidly losing the most market share?

A.1. OPIC is responding in several ways to the needs of U.S. small businesses seeking to make an investment in a developing country. We have reduced our loan size from $2 million to $ 100,000 to better address the needs of small business. We have also created new loan structures that are more useful and friendly to the needs of small- and medium-sized businesses and streamlined the application process for small businesses and reduced red tape. For example, our insurance application went from 20 pages down to 5 pages for small businesses, OPIC has a small business hotline and a small business outreach coordinator to respond to the unique needs of the small business community.

To be more effective, OPIC is also reaching out to small businesses in two additional ways. OPIC works very closely with the U.S. Export Assistance Centers (USEAC's) and their satellite offices, which are coordinated by the U.S. Department of Commerce and include officials from the Export-Import Bank and the Small Business Administration. They serve as coordinated centers for trade information and are listed in most telephone directories under U.S. Government agencies. The 19 USEAC's are located in the major population areas throughout the United States and the U.S. Commerce Department also operates smaller satellite offices. They provide walk-in and one stop service for small businesses interested in trade, exports or overseas investment. Frequently, they are the first and most accessible points of contact for a small businessperson. OPIC works very closely with USEAC's officials to be sure that they have the latest information about OPIC's services and can provide referral advice when a small business is interested in overseas investment. The USEAC's are also repositories of the latest OPIC educational and marketing materials and a listing of OPIC's small business services. This includes an information booklet targeted for small businesses, the small business hotline that provides specific small business information, a small business elec-

tronic mailbox, a public information officer for general information, and the small business outreach coordinator to provide more detailed information.

OPIC is also utilizing the Internet to reach out to small businesses. This is an efficient and cost-effective means to carry out our mission and it can be done without matching expenditures by competitor programs. Most small businesspersons interested in trade, exports or overseas investment are familiar with the web and have Internet access. The central U.S. Government website includes a link to the OPIC website. In addition, the SBA, the Ex-Im Bank, and the DOC websites include links to OPIC's website. OPIC has also proactively ensured that search engines using generic key words—that is small business, loans, investment—will bring the small business person to OPIC's website. Once in the website the small businessperson will find a specially designated small business section. This section includes an interactive small business training on OPIC's products to help a small businessperson determine how they can best utilize OPIC's products and an investor's gateway that provides country and sector information and links, and personnel contact information.

Of the services that OPIC can provide, one serious obstacle for a small business investing overseas is preparing for the political uncertainty in the host country and securing adequate financing. OPIC, through its political risk insurance and financing products, helps small business to overcome these obstacles. We also solicit client feedback to make certain we are effectively meeting client requirements.

For a small business looking for growth opportunities, doing business in today's global economy can be challenging. This is particularly true in emerging markets. But OPIC fills an important role in helping small businesses meet this challenge in these key markets. OPIC's political risk insurance can protect small businesses from political uncertainty. As a U.S. Government agency, OPIC also serves as an effective advocate for its small business clients who are confronted with the arbitrary actions of a host country's government. Finally, OPIC helps small businesses respond to the challenges of investing in emerging markets by providing financing when private sector financing is not available.

Q.2. How do you envision recent heightened security concerns to affect exporting industries? What measures are being taken to both assist current U.S. exporters and ease the concerns of potential exporters? Can you discuss any ongoing coordination with agencies such as the Department of State, Department of Defense, and the Department of Agriculture to address these ongoing security concerns?

A.2. The Department of Commerce is the Agency more directly involved in remedying security concerns encountered by U.S. exporters. OPIC, as a developmental agency which promotes private sector investment in third world countries and countries in transition to a free market economy, is prepared to assist projects that it supports with advocacy as necessary.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR REED FROM THELMA J. ASKEY

Q.1.a. Can you discuss, in detail, some of the specific programs or strategies that will reach out to small- or medium-sized businesses in order to encourage greater export promotion? How will these strategies compete with other nations' programs, especially with the comparatively less funding that we provide to our trade promotion agencies?

A.1.a. The majority of companies with which TDA works are small businesses. Small companies conduct more than one-third of TDA-funded feasibility studies, and over 60 percent of the firms with which TDA works are small. Absent TDA involvement, many of these firms would not have the opportunity to become involved in international development projects.

The small businesses that produce one in three of TDA's feasibility studies gain valuable experience in analyzing foreign projects, and then having a foot in the door to obtain even more of the work associated with those projects. However, the real impact for small business lies in the implementation phase of major projects, where small companies stand to export millions of dollars in goods and services as suppliers and subcontractors to major projects.

Additionally, all of TDA's due diligence projects—Definitional Missions and Desk Studies—are undertaken by small businesses. This provides interested small businesses with an opportunity to gain experience in working with TDA and in international markets, and allows them to progress to performing feasibility studies. Feasibility studies are considerably larger and provide an opportunity to compete to participate in the implementation phase of a development project. Accordingly, TDA provides small businesses with many opportunities to expand their international work.

TDA actively is participating in the Trade Promotion Coordinating Committee's current analysis of foreign government programs and looks forward to using that information to establish benchmarks against which to measure our performance. Because, as you rightly point out, other governments provide higher levels of export promotion assistance, TDA must work much harder and smarter to produce results for U.S. firms.

Q.1.b. How can you work more effectively with organizations, agencies, or the private sector on a regional or local level to carry out this goal of greater export promotion?

A.1.b. TDA works extensively with members of the Trade Promotion Coordinating Committee, including the Small Business Administration, the U.S. Export-Import Bank (Ex-Im) and the Overseas Private Investment Corporation (OPIC). Among TPCC agencies, TDA most frequently partners with Ex-Im and OPIC to conduct trade promotion activities overseas and identify promising project opportunities. The three agencies also jointly operate two regional offices, one in Turkey and one in Croatia. Maintaining these overseas regional offices allows the agencies to work hand in glove to develop the regional economies while promoting U.S. exports. In the near future, we will look to these field offices to re-

spond more quickly to the commercial and developmental needs of countries in strategic locales and during difficult, uncertain times.

In addition, TDA works extensively with the Departments of Commerce and State to promote U.S. exports. The Commerce Department's U.S. Foreign and Commercial Service (FCS) is a primary intelligence source in identifying many projects that TDA funds. Because FCS officers are stationed overseas, they have established local business and government contacts that help them target potential business opportunities for U.S. firms in foreign markets. TDA's coordination with FCS allows the agency to use its own resources more efficiently and to accomplish more than it could alone by utilizing FCS expertise in identifying projects for possible TDA support and funding.

TDA also works closely with American Embassies to design and market the agency's overseas trade conferences to maximize our effectiveness. Additionally, State Department staff often provide another good intelligence source for projects with significant U.S. export opportunities.

This interaction is a two-way street. By working with TDA to provide development assistance to host countries, FCS officials gain access to higher-level foreign officials than those with whom they typically work. This partnership, in turn, helps FCS to raise its profile in host countries and enhances its ability to gather information for the benefit of U.S. companies. At the same time, TDA involvement with U.S. Embassies supports U.S. Ambassadors and their Foreign Service staff as they strive to assist U.S. businesses competing overseas and to help foreign project sponsors meet important development needs.

Finally, TDA coordinates with the multilateral development banks and the International Finance Corporation to ensure financing is available for projects to which TDA provides funding.

Q.1.c. How will you ensure that these programs are effectively reaching and assisting these businesses?

A.1.c. In TDA's experience, limited resources tops the list of challenges facing small businesses in exporting their goods and services. TDA conducts numerous outreach efforts, including such activities as business briefings, trade conferences and reverse trade missions, to directly respond to this challenge. These outreach efforts benefit small businesses in particular because they reduce the need for such companies to travel the world to identify opportunities, and they provide ready access to key decisionmakers on significant projects.

Q.1.d. How can you target these programs to emerging markets, where our country is rapidly losing the most market share?

A.1.d. By law, TDA only operates in developing and middle-income nations, which are the very nations that comprise the so-called emerging markets. All TDA activities serve the dual purpose of promoting U.S. exports and fostering development in those markets, thereby creating jobs and developing commercially viable economic growth in the host nation.

Q.2.a. How do you envision recent heightened security concerns to affect exporting industries? What measures are being taken to

both assist current U.S. exporters and ease the concerns of potential exporters?

A.2.a. As we already have seen in news reports, heightened security is slowing the shipment of some goods across borders as customs services become more vigilant. TDA will continue to work with our contractors and with exporters as they navigate the new economic and political environment, and will work creatively to resolve difficulties they may encounter. You may be interested to know that TDA already is active in an area that will provide direct relief for this problem, namely supporting customs modernization projects in developing countries. In addition to producing more export opportunities for U.S. firms, these projects help host nations improve their inspection processes while reducing the time these processes consume.

Q.2.b. Can you discuss any ongoing coordination with agencies such as the Department of State, the Department of Defense, and the Department of Agriculture to address these ongoing security concerns?

A.2.b. As mentioned above, TDA's staff regularly works with the Departments of Commerce and State, as well as other TPCC members to assess conditions affecting U.S. exporters and develop suitable responses to these challenges. In fact, in the wake of the September 11 attacks, Peter Watson, John Robson and I met to develop joint strategies for projects in Eurasia and Asia. We and our staffs are evaluating how we can best respond, both as individual agencies and collectively, to changes in the business climate and increased levels of risk in those regions, and around the world. Our agencies want to be ready to meet the significant challenges ahead. We will, of course, continue to work together, and with the other members of the TPCC, to assist U.S. businesses in weathering the current situation.

2002 National Export Strategy

An Interim Report to Congress

October 2, 2001

TPCC Vision

- Current Situation
  - Programs comfortably meet agency-by-agency self-prescribed goals and GPRA reporting requirements.
  - The TPCC facilitates coordination after agencies have developed their own export-related programs and initiatives.
  - The TPCC relies on its reporting process to identify priorities and define a National Export Strategy
- Vision
  - To educate small businesses of the opportunities and tools available to them to enter world markets
  - To provide exporters and potential exporters with world-class services that enable them to take full advantage of new market openings.
  - The TPCC is customer-driven and committed to a process of continuous improvement

TPCC Mandate

- Under the Export Enhancement Act of 1992, the TPCC's mandate is to:
  - Provide a unifying framework for coordination
  - Develop a National Export Strategy
- Its chief duties are to:
  - Coordinate trade promotion policies and programs
  - Ensure better delivery of services to U.S. businesses
  - Prevent unnecessary duplication in federal activities
  - Recommend appropriate levels and allocation of resources

Evolving Role of the TPCC

- Under this mandate, the TPCC has evolved. Over the years, the TPCC has:
  - eliminated duplication and poor customer service. The TIC, USEAC network, and Advocacy Center were established.
  - developed strategies for countering aggressive foreign competition and targeted key markets and sectors
  - developed crosscutting performance measures
  - aligned its reporting process with the President's budget process

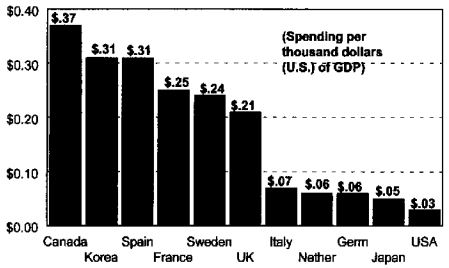
TPCC as a Management Tool

- While these efforts represent a solid foundation for interagency coordination, no mechanism exists for ensuring that customer needs are met.
- Moreover, customer needs today are defined, not by policy, but by change:
  - In technology
  - In market opportunities
  - In foreign competition
- The TPCC must become a tool for continuous management improvement

Rationale for This Approach – 1
Our Competitors Commit More Resources

Public Export Promotion Spending

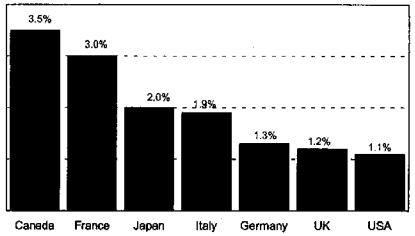
As a Proportion of GDP, 2000 -- non-financial and non-agricultural



Source: foreign government sources and Commercial Service estimates

G-7* Medium- and Long-Term Export Credit Support

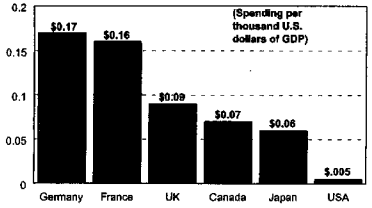
As a Percentage of Total National Goods Exports - 1998



Source: Export-Import Bank of the United States

Foreign Competitor Spending on Comparable TDA Programs

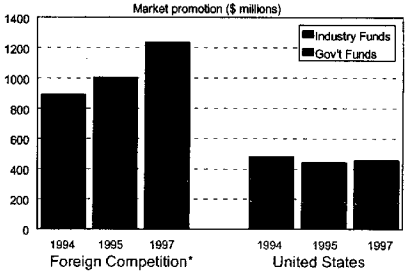
1998 Spending in Relation to GDP



Source: U.S. Trade and Development Agency

Competitors' vs U.S. Agriculture Market Promotion Funding

Market promotion ($ millions)

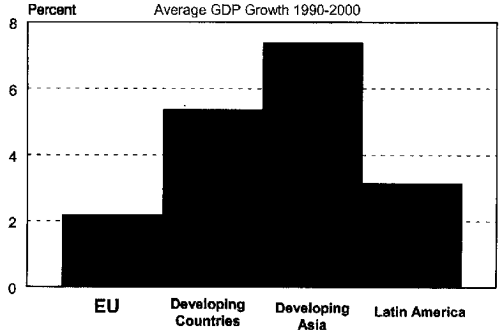


* Foreign Competition includes Europe, Brazil, Argentina, Chili, Canada, India, Japan, South Korea, Taiwan, Malaysia, New Zealand, and Turkey

Rationale for This Approach – 2a
Commercial Opportunities

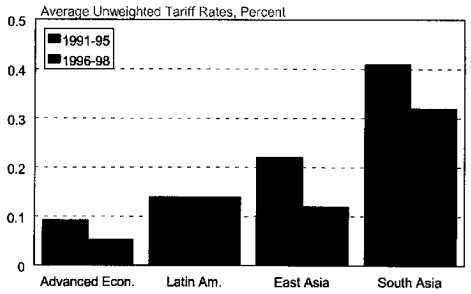
- Economic growth in emerging and developing countries is outpacing economic growth in the more advanced, but mature, countries.
- Emerging and developing countries tend to be the most difficult to penetrate and continue to have high tariff and non-tariff barriers to trade.

Fastest Growing Markets Have Been in the Developing Countries



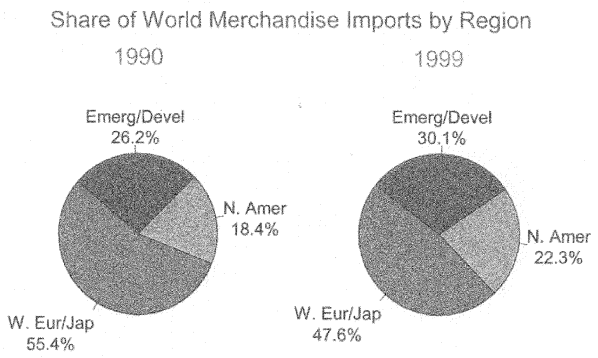
source: IMF

Tariff Rates Are Highest in Developing Markets



Rationale for This Approach – 2b
Commercial Opportunities

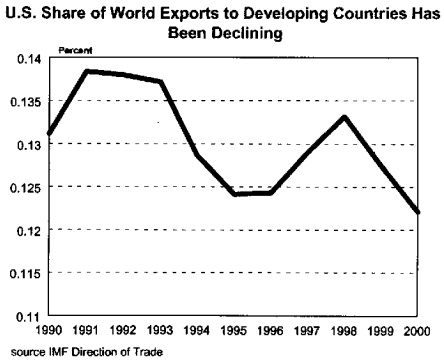
- Shifting World Buying Power: Over the last decade, the average annual increase in imports has grown by only about 3-4 percent in the advanced countries (excluding the U.S.).
- In developing regions such as Asia, Latin America, and Central/Eastern Europe, import growth has been closer to 10 percent.
- As a result, since 1990, Western Europe and Japan's share of world imports has eroded by 8 percent to less than half (48 percent), while the emerging/developing world's share has grown 4 percent to about a third (30 percent).

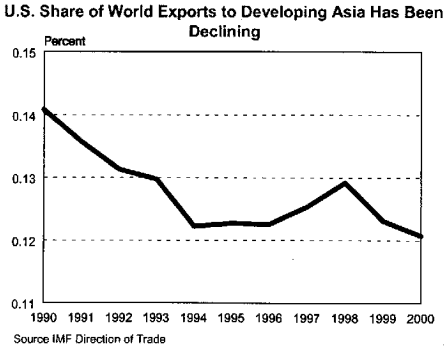


Source: WTO

Rationale for this Approach – 3
Foreign Competition

- We have maintained our overall share of world exports, but are losing market share in the faster growing emerging & developing markets. Over the last ten years, our overall share of these markets has declined from 14 to 12 percent. While not a sharp decline, we should be concerned that these are the fastest growing markets – growing 6 percent annually, 8 percent in developing Asia.
- Even in agriculture, one of our most competitive sectors, our market share has declined from 24 percent 20 years ago to 18 percent today. This six percent drop represents $18 billion in lost export sales and $4.5 billion in lost income to American farmers.
- Now that our trading partners have negotiated preferred access to key markets throughout the world, we are entering a phase of heightened competition.

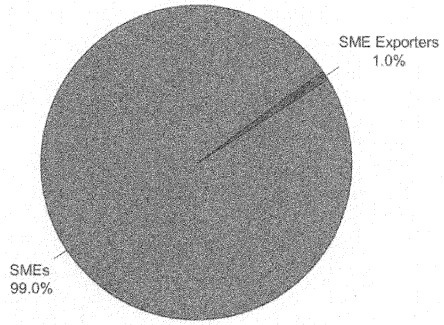




Rationale for This Approach – 4a
Small Business

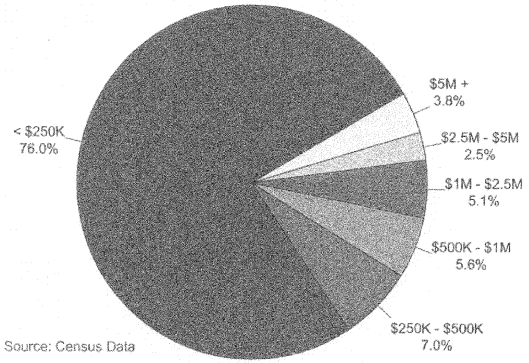
- We know that we still face an export gap for small and medium-sized enterprises. Only one percent of U.S. firms of all sizes export compared to over five percent of French firms.
- Past efforts to explain the small business export gap have pointed to problems with access to information and financing.

Only one percent of U.S. Small and Medium-sized Companies Export



Source: U.S. Census data

Nearly 90 percent of all exporting firms posted exports of less than $1 million in 1998



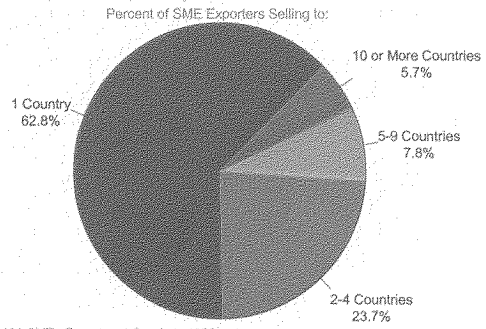
Source: Census Data

Rationale for This Approach – 4b
Small Business

- Most small business exporters ship to only a few countries. But there is a set of robust SME exporters that do well in emerging and developing markets.
- From 1992-1998, SME exports grew almost 300 percent to Brazil, 227 percent to Malaysia, and 108 percent to China. By contrast, SME exports to advanced countries Canada and the UK grew by 97 percent and 86 percent respectively.

Nearly two-thirds of small and medium-sized exporters sold to just one foreign market in 1998

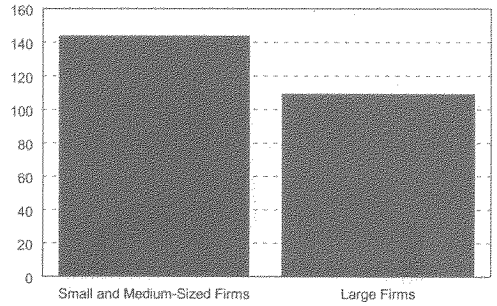
Percent of SME Exporters Selling to:



198,101 SMEs Exportered Goods in 1998
Source: U.S. Census data

Exports from small and medium-sized companies have growr faster than exports from large firms

Percent Change in Merchandise Exports, 1987-1992



Source: 1992 Exporter Database, USDOC and SBA

We Need World-Class Export Promotion Services to Meet These Challenges

- The TPCC Benchmarking Exercise will:
  - Begin and end with customer needs & stakeholder interests:
    - Exporters will participate in every stage of the exercise
  - Develop recommendations that eliminate duplication and focus support strategically
    - E.g., SME exports to emerging markets
  - Establish interagency mechanisms for continuous process improvement
    - Incorporate customer expectations as they evolve

Benchmarking Exercise
Overview

- The Benchmarking Exercise consists of three components:
  - Customer Satisfaction, identified through
    - A Customer needs survey
    - Focus groups – with small/large firms, trade assns., banks, etc.
  - Best Practices, identified through
    - Embassy evaluations of competitor country government programs
    - Experiences of exporters
    - TPCC agencies' evaluation of competitor country government programs
  - Analysis
    - Developing standards of efficiency
    - Applying these to our export promotion processes

Benchmarking Exercise – 1a
Customer Needs - Survey

- Survey of small business exporters to help us understand why more small businesses don't export
  - Survey will help us:
    - Determine what types of services exporters need
    - Find out how these services are provided (private sector, state/local governments, federal government, trade associations)
    - Get to heart of trade finance and information obstacles

Benchmarking Exercise – 1b
Customer Needs – Focus Groups

- Focus groups to educate us about:
  - How we can improve our programs
  - The competitive environment U.S. exporters face
  - How we can work with the private sector to manage risk and encourage exporting
  - Regional needs: Atlanta, Chicago, Los Angeles, New York, Philadelphia, Baltimore, Boston

Benchmarking Exercise – 2a
Identify Best Practices

- How competitors promote exports
  - Not just a question of dollars, but of how to do it better
- Sources
  - Commercial Service/Economic Officers in overseas posts
  - Companies, through focus group meetings
  - TPCC Agencies, e.g., Ex-Im Bank's annual competitor analysis

Benchmarking Exercise – 2b

How Other Countries Meet Export Competition

- All countries examined emphasize small business
  - Despite recent budget cuts for export promotion, the French have modernized its export promotion services and focused them on SMEs. They have launched a high-level "SME Mission" task force that has among other things, established an SME "mediator" to help SMEs when encountering difficulties with export promotion agencies.
  - The Korean government is now committed to moving away from the dominance of "chaebols" (conglomerates as its foundation of export strength and is focusing its programs on small business
  - Korea provides loans from its export promotion budget to SME companies interested in joining trade missions and overseas exhibitions; allows SMEs to use its trade centers as overseas branch offices for a small fee; has a Small Business Corporation (with a budget of $4 billion funded through lottery tickets) to provide SMEs with financial and technical assistance to improve competitiveness, training and operating capital to venture businesses with export potential.
  - The scope and depth of EU and Dutch government subsidies and other assistance for Dutch SMEs far exceeds anything available to U.S. business, both absolutely and proportionately. For example, support includes free advice on the development of an export strategy and a 50 % contribution of all costs associated with implementation, including market research, a visit to the market, participation in trade fairs, developing marketing materials and employing extra staff to focus on export activities.

Benchmarking Exercise – 2b cont…

How Other Countries Meet Export Competition

- Japan's Finance Corporation for Small Business provides long-term, fixed rate and low interest financing to help the growth and development of small business in Japan.
- The U.K.'s Export Explorer program are three tailor-made packages geared to a company's export experience that help SMEs get into export markets at minimal cost.

- Many countries promote small business exports to emerging markets
  - In 2000, the French targeted Eastern Europe and other emerging markets for the export of high-tech SME services.
  - Canada has packaged services to help exporters enter emerging markets, and recently focused on South America.
  - Spain has a "Master Plan" for increasing access to the Asia Pacific region, coordinated through a number of ministries.
- Many countries link trade and investment programs
  - Japan's new "Region to Region Investment Promotion Program" links complementary regions rather than working with individual firms. Recently they matched a Japanese region known for making eyeglasses with an Italian city known for high fashion.
  - Sweden, through the state-owned Swedfund International offers risk capital and know-how for exports and investments in developing countries in Africa, Latin America, Asia and in Central and Eastern Europe. A special fund is available to make loans to SMEs for business development abroad.

Benchmarking Exercise – 2b cont….

How Other Countries Meet Export Competition

- All countries examined leverage the Internet
  - The British have a comprehensive e-Business Strategy. This will include e-business services (electronic ordering of all information services by 2004), e-business infrastructure (intercommunication throughout the trade organizations and its partners), Market Access Online (linking UK exporters with trade agency staff both domestically and overseas for 11 key markets) and Trade Partners UK website (info on all services for UK exporters).
  - The French have established a comprehensive internet site with a portal for French SMEs that links over 150 overseas and domestic posts, showcasing over 50,000 pages of business and economic information on overseas markets.
  - In Sweden, the Trade Council's web sites have become the most important source of information to exporters. Over half of the Trade Council's customers use the web sites on a regular basis - with over 80 percent of users responding that they always or in most cases find what they are looking for. The free-to-user advice service has become increasingly sophisticated since it was initiated in 1996.
- Financing is key
  - Canada and Germany have "market windows" that combine the capacity of official export credit agencies with the flexibility of the private sector. They offer customers the full faith and credit of the government, with far fewer procedural requirements and better payment terms than official financing. Using this tool, Germany has become the largest medium and long-term export credit provider in the world, and Canada's business has grown by about $4 billion.

Benchmarking Exercise – 2b cont….

How Other Countries Meet Export Competition

- The French provide "treasury loans" to support projects of French firms attempting to acquire a strategic market presence in an emerging market and provide technical assistance especially for SMEs to create a market presence in emerging markets.
- In the agriculture sector, USDA reports that French export credit agency COFACE is the leader in customer innovations such as foreign exchange hedging, contract repudiation coverage, and e-Commerce applications.

- Other governments emphasize technical assistance to promote exports
  - Japan's use of tied and untied aid to capture markets in Asia and Africa has continued to grow: Its use of tied aid fell after OECD disciplines were implemented, while its untied aid grew to an average of $12 billion *annually.* However in 2000 its use of tied aid grew from less than $1 billion to $4 billion a year.
  - Japan's International Cooperation Agency - with a budget of $1.9 billion - administers grants that fund technical training of potential foreign buyers in Japan and dispatches technical experts abroad.
  - In the UK, the government helps toward the cost of bringing decision makers in key countries to the UK for training by UK companies. It is designed to help new business contacts in export markets familiarize themselves with UK technology, production methods and management skills.

Benchmarking Exercise – 2b cont….

How Other Countries Meet Export Competition

- High-level interest in market development
  - Canada has launched "Team Canada" - a partnership between 23 federal and provincial departments and agencies, with solid support from Canadian business. There have been six Team Canada Trade Missions, all led by Prime Minister Chretien. The most recent, a February 2001 trip to China, also included the Minister for International Trade, the provincial governors and 608 business participants from 580 companies. 293 two-way agreements were signed, for a total value of $9.8 billion.
- Many countries emphasize counseling and education
  - The U.K.'s Export Promoter Initiative is the most extensive program of secondments from private industry in the British government, and provides SMEs and large companies with market or sector experts with hands-on experience to advise about promoting their business and put them in touch with overseas buyers. It also gives promoters insight into the way things work in the public sector.
  - Korea educates 30,000 SME employees a year to be internationally competitive through its Small Business Training Institute. It has a $4 million budget; participants receive a 50-90 percent refund of the program fee from the Ministry of Labor's employment insurance program.

Benchmarking Exercise – 2b cont….

How Other Countries Meet Export Competition

- Other governments link policy and promotion
  - The French are reorganizing their domestic and overseas promotion networks so as to obtain increased input on trade policy from overseas posts, particularly in emerging markets. In preparation for the next round of multilateral negotiations, 15 multilateral experts have been assigned to French overseas commercial posts.
  - Canada's Department of Foreign Affairs and International Trade solicits input online from industry and individuals. Currently they are seeking views on proposals to amend seven product-specific NAFTA rules of origin. Other areas include regulation of genetically modified foods, Central American Free Trade Agreements, the Canada-Brazil WTO panel on aircraft and WTO transparency.
- Other governments emphasize interagency coordination
  - France is looking at how to develop synergies among overseas commercial posts and the French investment promotion offices overseas. To standardize services provided to French exporters, the French Center for Foreign Trade, the French Center for Trade Events overseas and the agency for international promotion of French technologies will be integrated and colocated by 2004.
  - British Trade International was formed in May 1999 through the merger of the export promotion activities of the Department of Trade and Industry and the Foreign and Commonwealth Office.

Benchmarking Exercise – 3
Comparison and Analysis

- With a better sense of customer needs and best practices, we will benchmark key examples of each export promotion process. We will develop measures of effectiveness for each process and interview those institutions that are identified as being "best in class"

Processes	**Best Practices**	**Recommendations**
Information & Education	Swedish web portal Canadian NEXOS training program	
Create Market Opportunities	Korean SME Branch Office Project	
Export & Investment Finance	Market Windows	
Advocacy & Problem-solving	Team Canada	
New Market Development	French SMEs to EEurope	
Evaluation		
Coordination and Partnering		

Timeline

- Oct. – Conduct Customer Focus Groups & Undertake Survey
- Nov./Dec. – Identify Best Practices & Benchmark U.S. Programs
- Jan. – Analyze Results of Customer Needs Survey
- Jan./Feb. – Develop Recommendations
- March – Transmit Full Report to Congress