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THE U.S. NATIONAL EXPORT STRATEGY

HEARING

BEFORE THE

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

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

ON

THE U.S. NATIONAL EXPORT STRATEGY AND THE ROLE OF THE TRADE PROMOTION COORDINATING COMMITTEE

MAY 21, 2003

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THE U.S. NATIONAL EXPORT STRATEGY

WEDNESDAY, MAY 21, 2003

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

The Committee met at 10:15 a.m. in room SD–538 of the Dirksen Senate Office Building, Senator Richard C. Shelby (Chairman of the Committee) presiding.

OPENING STATEMENT OF CHAIRMAN RICHARD C. SHELBY

Chairman SHELBY. The hearing will come to order.

I would like to begin this morning's hearing on the U.S. National Export Strategy and the role of the Trade Promotion Coordinating Committee by quoting from Title XII, Section 635(i) of the U.S. Code, which regulates the U.S. Export-Import Bank:

"The Congress finds that Tied Aid and partially Untied Aid credits offered by other countries are a predatory method of financing exports because of their market-distorting effects . . ."

"This and additional like findings are immediately followed by this mandate:"

"The Bank shall establish a Tied Aid credit program under which grants shall be made from funds available in the Tied Aid Credit Fund established under Subsection (c) of this Section . . ."

This seems like a contradiction. The seeming incongruity present in the law illuminates the continuing challenge of achieving the elimination of trade barriers that has been a fundamental U.S. foreign and economic policy goal since at least the 1934 Trade Act, a goal that increased in importance in the wake of the devastation of World War II. Despite our evolution to the age of globalization, however, the goal remains elusive. I am reminded of the situation involving the American commercial shipbuilding industry. When President Reagan unilaterally terminated domestic shipbuilding subsidies, it was anticipated that the rest of the world would follow the United States' lead and would act likewise. The result, we soon learned, was the exact opposite. Foreign shipbuilding subsidies continued and American commercial shipbuilding industry was seriously and possibly irreparably weakened by its inability to compete for a diminishing market on a demonstrably uneven playing field.

The lesson is clear. The United States has a vital role to play in supporting American business by ensuring a level playing field in international trade. That is the responsibility, as is evident by the size of today's panel, of a number of U.S. Government agencies, chief among them the Office of the U.S. Trade Representative,

through his role in the negotiation of agreements, and the Department of Commerce. Our purpose here today, however, is to focus on the role of the Government in helping American business to export its products, both goods and services, through financial and technical assistance, through education, and through the provision of business-essential information on foreign markets.

While we have come a long way under the World Trade Organization and through a growing number of bilateral trade agreements—indeed, the President recently signed the U.S.-Singapore Free Trade Agreement, and I anticipate similar treatment of the Chilean agreement—in reducing tariffs and some nontariff barriers to free trade, the job is far from complete.

The Trade Promotion Coordinating Committee was created—and codified in law—due in no small part to the efforts of my colleague, the Ranking Member, Senator Sarbanes—with the seemingly incongruous mission illustrated earlier by my reference to the statutory language establishing the Tied Aid Credit Fund. It exists to offer export support at the same time we retain as a goal the elimination, on a global basis, of the kinds of export support activities common among major industrialized countries. Now financial and technical assistance is only part of what TPCC does. It also plays a very important role in helping American companies identify opportunities, and helps educate them on how to maneuver the winding roads involved in international commerce. There is no denying, though, that the export financing mission of some of the agencies represented here today, exist, at least in part, because of our inability to date to eliminate export subsidies on a global level.

We have had successes, though. The Japanese agreement to end its policy of tying aid to the initial design and engineering stage of major capital projects, for example, stands out as significant progress given that country's historical use of Tied Aid. But much more work remains to be done. In fact, in the 12 years since the OECD agreement restricting Tied Aid, we have seen not only a continuation of this, but also the emergence of new methods designed to circumvent the intent of negotiations aimed at trade-distorting practices.

By way of example, we have, as the TPCC's new export strategy report points out, the task of dealing with the phenomenon of "market windows," the use of ostensibly private institutions that are closely linked to the government or are, in fact, little more than front companies for the government in question to finance deals.

These are all issues to be discussed, and I hope the witnesses will address them during today's proceedings. In all, the TPCC has to be considered a success. As much as some of us would like to see business free to compete in the international arena without undue government involvement, the reality remains far different. The hands of American business cannot be tied while its foreign competitors exploit the benefits available courtesy of their respective governments. As important, the responsibility of the TPCC to coordinate the export-related efforts of as many as 20 Government agencies, so as to be a more efficient tool, should not be overlooked. It is a daunting task, but one on which the Coordinating Committee has made significant progress. The agencies are working much more closely together than ever before, and are orienting

their efforts toward the needs of business much more efficiently than ever before.

With us today to discuss the National Export Strategy and the progress that has been made in the past year are Secretary of Commerce Donald Evans; Philip Merrill, President of the Export-Import Bank; Hector Barreto, Administrator of the Small Business Administration; Barbara Bradford, Deputy Director of the Trade and Development Agency; and Peter Watson, President of the Oversees Private Investment Corporation.

We welcome all of you to the hearing. Your written testimony will be made part of the record in its entirety, and we will start with Secretary Evans. We know you have some time constraints, and we will go as fast as we can. We appreciate your appearing here today.

STATEMENT OF DONALD L. EVANS
SECRETARY
U.S. DEPARTMENT OF COMMERCE

Secretary EVANS. Thank you, Mr. Chairman, and it is always a pleasure to be here with you. I appreciate it very, very much.

As you said, I would like to have my written statement submitted for the record.

Chairman SHELBY. Without objection, all of your written statements will be made part of the hearing record.

Secretary EVANS. Thank you. I appreciate the opportunity to be here to discuss the National Export Strategy of this country.

One year ago, I came before you to lay out a National Export Strategy, the Administration's plan to improve our trade promotion programs. The 60 recommendations in that report were based on the express needs of our customers. I also told you I wanted to use the Trade Promotion Coordinating Committee, the TPCC, as a management tool to monitor our progress and to spur change and cooperation. This is an example of what the President's management agenda is all about.

My message to you today is simple: Thanks in large part to the support of this Committee and the outstanding leadership of my colleagues here today, the TPCC is a proactive, goal-oriented vehicle for delivering export services to American companies.

By expanding exports, we promote economic growth, new and good-paying jobs, and higher standards of living, here and with our trading partners throughout the world. We are on track with implementing these recommendations. And we are becoming more forward-thinking when it comes to major project procurement.

We are creating a new culture of customer service among the agencies, and we are strengthening our training and partnership efforts. In the process, the TPCC has become an important resource and advocate for the U.S. business community. For example, our agencies and embassies were flooded with calls about the Administration's reconstruction plans in Iraq, so the TPCC hosted several interagency meetings that culminated in a briefing for United States trade associations. This was followed by a briefing for Coalition partners at the State Department.

In early June, we plan an event focused on sanctions. We are working with the TPCC agencies to identify and eliminate obsta-

cles to rebuilding the Iraq economy. We took on similar efforts for our central and southeast European Coalition partners.

After I traveled there in March, we brought the agencies together to deliver initiatives to help stimulate U.S. trade and investment in that region. To monitor new opportunities, the TPCC meets about every 6 weeks at the Deputies' level and weekly at the staff level. We have worked together to discover projects for United States companies with the prospect of United States financing in China, Russia, and Mexico. In China, of course, we have had our eyes on the Olympics, and will do an interagency mission this fall.

In September, I will attend the Energy Summit in Russia, and Grant Aldonis will go to Moscow on my behalf next month. I led a trade mission to Mexico for small businesses last year, and in June, I will be attending the Partnership for Prosperity meeting in San Francisco.

We are steps away from a new program that would combine the Commerce Department, Ex-Im Bank, and SBA resources in an integrated small business trade finance tool, and we have joined Ex-Im/SBA financing seminars, and the agencies are working on parallel financing agreements.

We have launched an interagency trade officer training program, so that our people in the field can help firms navigate the full array of Government export promotion programs. We have trained 31 officers from nine agencies in January, and are doing additional training programs next month and in September. We have reached out to our State partners as their budgets have tightened, collaborating and co-locating where possible.

This year, we have built stronger bridges with many State partners, including Florida, Alabama, Delaware, Maryland, and New Jersey. We have an agreement with Florida to do a joint training and trade finance facilitation; an agreement with New Jersey to co-locate out staff and work on trade missions and counselling; and with Alabama, we helped recruit the State's Trade Mission to Central America this week.

The TPCC is jointly marketing all of our programs, including sharing space at domestic trade shows, so that exporters can find out about all agencies' services in one place.

We have developed joint publications and seminars, and are sharing client lists, and including data on each other's programs in client mailings. As a great example of this cooperation, I am pleased to announce today that our redesigned export assistance website is now open for business. The new Export.gov portal is responsive to the stated needs of our customers, the small- and medium-sized business community. In addition to links to multiple agencies, we now have a step-by-step guide through the process for new exporters.

This was all accomplished with the cooperation of our TPCC partners. As we look toward next year, we want to continue working to complete our agenda. This includes: Developing a set of priority projects based on input from our overseas posts and interagency business development missions in key markets; completing the development of integrated small business trade finance, marketed by the Commercial Service; institutionalizing our interagency trade officer training and expanding it to include Congressional of-

fices in States; and leveraging existing agency budgets in Fiscal 2005 on priorities such as training and technology. At the same time, we will continue our focus on exporter needs. This includes assisting the business community in its efforts to reenter the market in Iraq, and further coordinating efforts to stimulate private investment and trade.

Mr. Chairman, I want to thank you and this Committee for your interest and oversight of the export promotion process, and for your support for the TPCC.

Thank you, Mr. Chairman.

Chairman SHELBY. Mr. Merrill.

STATEMENT OF PHILIP MERRILL
PRESIDENT AND CHAIRMAN
THE EXPORT–IMPORT BANK OF THE UNITED STATES

Mr. MERRILL. Thank you, Mr. Chairman.

I would like to associate myself completely with the remarks of Secretary Evans, and I appreciate the opportunity to join you, Mr. Chairman, this morning, and my colleagues from the Trade Promotion Coordinating Committee to report on the status of the National Export Strategy.

The first Bush Administration National Export Strategy Report in 2002 has served as a road map for the TPCC efforts over this past year. The 2003 National Export Strategy Report issued this April and my testimony today are primarily devoted to reporting on implementation progress.

As Chairman of Ex-Im Bank and Vice Chairman of the TPCC, I have a keen interest in working with the members of the TPCC to support our Nation's export sector.

The Bank's mission is to assist in financing the export of U.S. goods and services, thereby helping to create and maintain U.S. jobs. It is all about jobs.

Ex-Im Bank does this by providing financing to counter the effect of export credit financing from other governments, or by taking reasonable credit risks that the private sector is unwilling or unable to accept. We only go where private capital will not or cannot go. By cooperating with other agencies, Ex-Im Bank is trying to achieve a more strategic approach for trade and export promotion. Our focus is on improving customer service, streamlining case processing, and enhancing risk management.

The Bush Administration recognizes the important role that the TPCC can play in supporting U.S. exports and U.S. jobs. I am very committed to this effort. The TPCC strives to make it easier for U.S. businesses to understand and utilize the U.S. Government's export promotion programs. The recommendations put forward in last year's TPCC report were developed after in-depth discussions with our customers and are practical solutions to problems that encumber U.S. export potential.

We have made progress in implementing many of the report's key recommendations. I will address the three areas in which the Ex-Im Bank is most involved: One—Joint Marketing, Training, and Small Business Initiatives; two—Early Project Development; and, three—Tied and Untied Aid. We happen to be singing from the same songbook today, by some strange chance.

First, I would like to discuss the Joint Marketing, Training, and Small Business Initiatives. To support these initiatives, Ex-Im Bank leads an interagency marketing task force—us, the SBA, the Department of Commerce, and OPIC.

Our marketing objective is straightforward: To establish a direct relationship between the U.S. exporter and U.S. Government trade agencies in a coordinated and cost-effective manner.

The task force planned, funded, and is now executing three primary tactics to reach U.S. exporters, specifically small and new exporters. The big guys know we are here. These tactics are: Direct mail; participation in major trade shows; and exporter and lender seminars. We have had a whole bunch of them around the country.

The TPCC partner agencies also collaborate through nationwide U.S. Export Assistance Centers, which have an unworkable acronym to reflect them, and we are working to link our websites to the U.S. Government Trade Portal, Export.gov. We actually completed this just last week, so I understand.

By agencies sharing costs, the exporter and the taxpayer are better served. Ex-Im Bank is also continuously looking to leverage the TPCC agency resources by utilizing the private sector to reach and provide services to U.S. exporters.

We have also implemented a cross-training program for our staff, the Department of Commerce, SBA, OPIC, and TDA staff. This training is designed to enhance our ability to provide full-service trade finance advisory services to the export community. We want us all to know what we all do, and what the exporters do.

Finally, Ex-Im Bank is collaborating with the SBA to provide parallel financing and joint marketing for working capital transactions, thereby providing small business exporters with a seamless approach to access the working capital they need to increase export sales.

Second, I would like to discuss the Early Project Development Initiative. Its aim is to coordinate more effectively the efforts of the U.S. Government trade agencies to secure contracts for U.S. exporters. Ex-Im Bank's staff actively participates on the early project development country teams that the TPCC established to coordinate travel and promotion activities.

To aid early promotion efforts, Ex-Im Bank has created an "early project letter of interest," intended to signal preliminary interest in a project before contracts are signed. Currently, the interagency efforts are focused on three markets: Mexico, China, and Russia, where we think the most room for opportunity for our exporters exists. We plan to broaden our focus to other target markets at the appropriate time.

The largest Ex-Im Bank market is Mexico. We are very active in Mexico with an exposure of more than $5 billion. We are actively working to develop new products for this market, and to coordinate promotional activities with other United States Government agencies and with the Mexican government. Last September, agencies brought together municipal officials from renewable energy, waste management, and water treatment agencies, and United States companies in a conference organized by Ex-Im Bank and the Mexican Development Bank, Banobras. This conference built on the Partnership for Prosperity Initiative was created by President

Bush and Mexican President Fox. I participated with my colleagues here from the OPIC, SBA, and TDA, in the Arizona-Mexico Trade and Investment Seminar in Tucson. We are working with our partner agencies to follow up on leads from these and from other similar conferences.

In the second market, China, we also have nearly $5 billion in exposure and numerous opportunities exist for United States exporters, including projects associated with the Olympics in 2008 and the World's Fair in 2010, and in key sectors such as environmental protection, energy efficiency, waste water treatment, medical equipment, and electric power.

Let me interject that I had a nice long chat with the Chinese Ambassador a couple of weeks ago, just four of us, in which he acknowledged on his own that a trade imbalance of $100 billion to $125 billion was not acceptable, and that they were prepared to deal actively and creatively with American exporters. I was a little surprised he brought it up, and we are pursuing it together.

We are working closely with the Commercial Service and TDA to coordinate efforts to identify opportunities for United States exporters in China and with the Chinese.

In Russia, the Early Project Development Team is pursuing a number of projects in telecommunications, transportation, and energy sectors, with particular focus on four pipeline projects that are currently under consideration. These projects can benefit from enhanced interagency cooperation and adequacy resulting from the Early Project Development Initiative.

Let me say that I spent this last weekend in New York with the Rand-Russian-American Studies Group, which I sat on for 10 to 12 years, with a whole crowd of Russian oligarchs who were there. We had, let's say, a full and free and fruitful discussion. I did not say "frank," but it was very friendly, and they have been in to see us and we are working back and forth.

Ex-Im Bank is also working with the Commercial Service to plan a working trip to Moscow and St. Petersburg in June to follow up on these projects and to meet with Russian government officials to identify additional opportunities for United States exporters.

Overall, the TPCC joint promotion and coordination efforts in Mexico, China, and Russia look promising.

Third, the TPCC, in 2002, launched several initiatives to counter foreign aid practices that place U.S. exporters at a competitive disadvantage. Ex-Im Bank and USAID are working to ensure that transactions we both support complement each other in an effective manner. These joint mixed-credit transactions will leverage the resources of the two agencies to support aid development objectives, while expanding Ex-Im Bank's ability to provide business opportunities for U.S. exporters. These are separate. They do the aid, we do the business.

Ex-Im Bank, in cooperation with the Treasury Department, continues to closely monitor the use of Tied Aid by foreign governments. I note that the bureaucracy agrees that in 2002 the use of Tied Aid continued to decline dropping to a record low. In fact, since 2001, the decrease was 40 percent worldwide, so the War Chest just may be working, just by being there.

Further, Ex-Im Bank and Treasury have also agreed to new processes and standards governing the use of the Tied Aid Credit Fund, commonly known as the War Chest, that will ensure more rapid case processing and improve U.S. exporter competitiveness. These are known as the Robson-Taylor Principles and undoubtedly your staff is totally on top of that, as I am sure you are.

I am asked to say a word with respect to Iraq.

Chairman SHELBY. I am going to have to interrupt you. We have a vote in 2 minutes on the second vote, and we are going to recess the Committee hearing until the vote is over, so just suspend.

Mr. MERRILL. Okay, I will suspend on Iraq.

[Recess.]

STATEMENT OF SENATOR MIKE CRAPO

Senator CRAPO [Presiding]. Ladies and gentlemen, we will bring the hearing to order.

I ran into the Chairman in the hall as I was returning from voting, and he said we should keep going so we do not get people any further behind on their schedules. So, I am going to reconvene the hearing. The Chairman is going to run over and vote and be back as quickly as he can. I appreciate your being understanding and accommodating for our scheduling difficulties.

Mr. Merrill, I understand you were in the process of completing your testimony before we were interrupted. You can go ahead and complete it now.

Mr. MERRILL. Well, actually, when we were interrupted, we were just about to solve the problem of Iraq.

[Laughter.]

Senator CRAPO. Why don't you just finish with that then?

[Laughter.]

Mr. MERRILL. Literally, Iraq was the word on the table.

Senator CRAPO. We could have a vote on it, and it might win.

[Laughter.]

Mr. MERRILL. I think an appropriation is more what is necessary. In any case, with respect to Iraq, Ex-Im Bank has established an internal task force that is working to address the legal and credit concerns that currently impede our ability to offer trade finance programs in Iraq. We are coordinating closely with the other TPCC's member agencies, as well as the U.S. exporting community in this effort.

As you know, we are subject to a number of important programmatic constraints, the principal one being a need to find "a reasonable assurance of repayment . . ." that is the legislative language for every credit we support. However, we are bringing energy and creativity to the task of helping United States companies provide the goods and services that are necessary to the reconstruction of Iraq. For example, we are actively considering mechanisms that will allow Ex-Im Bank to support United States exports to Iraq, sooner rather than later, including taking the credit risk of companies and banks and third countries such as Turkey, Jordan, and Kuwait, that may be involved in obtaining United States goods and services for reconstruction efforts.

Additionally, I believe that the concept of an Iraqi oil trust fund for reconstruction has real merit, and I would support efforts to establish such a fund under U.S. auspices, as rapidly as possible.

The CEE, who is represented here today by Ed Rice, and several of their members, notably Halliburton, Bechtel, Motorola, GE, and a number of other companies have been in to see us. The general drift of our ideas and their ideas is that a country with a GDP of $26 billion, which is what Iraq had, cannot possibly support $120 to $140 billion in existing debt. That debt has to be restructured in some manner. With the investment of several billions of dollars into the declining and deferred maintenance problems left by the previous regime, Iraq can once again use the revenues from increased oil production for its needs.

Iraq has the capacity to generate between $10 and $15 billion a year in oil revenue each year for 10 years. Nobody knows the exact number. That money can be used for the benefit of the people of Iraq and to provide the assurance of repayment for foreign direct investment or Ex-Im Bank guarantees in Iraq.

However, the issue is not only establishing such a trust fund or reconstruction finance corporation, if I go back to the founding of Ex-Im Bank, but also the issue is that it has to be on a long-term basis, because the oil business is a long-term basis. You cannot get investment on a short-term basis. I should leave the oil business to Secretary Evans, but suffice it to say that nobody is going to spend several billions of dollars without a legal and professional assurance of being in business there for a great number of years, so let me sum that up by saying oil trust fund.

I would like to conclude by thanking this Committee for its support of the TPCC, Secretary Evans for his leadership, and my TPCC colleagues here today for their commitment to this effort. I appreciate the opportunity to appear before you, and I would be happy to respond to any questions you may have at any time.

Senator CRAPO. Thank you, Mr. Merrill.

I understand, Secretary Evans, that you have to leave at 11:00; is that correct?

Secretary EVANS. Correct.

Senator CRAPO. If we get a couple of our Members back and they have some questions for you, we may interrupt in order to do those questions.

Secretary EVANS. Certainly.

Senator CRAPO. But until we get them back here, we will proceed with the testimony.

Mr. Watson.

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

Mr. WATSON. Thank you, Mr. Chairman, and in light of the time constraints, this will be a very brief oral presentation. I want to share the thanks of my colleagues to be here today, to articulate support for the President's vision on the National Export Strategy, and, for the leadership of Secretary Evans, whose efforts to bring together the disparate Executive Branch agencies as key to mar-

shalling our collective resources to implement the TPCC's worthwhile mandate.

We appreciate the support from Members of the Committee and, indeed, the Ranking Member, Senator Sarbanes. As you know, OPIC has a unique role to mobilize U.S. private investment for the social and economic development of less developed countries. We do so on a self-sustaining basis, at no cost to the U.S. taxpayer.

In implementing President Bush's blueprint for OPIC, over the last 2 years the agency has reformed for success by bringing the benefits of economic development to the neediest countries, fostering cooperation with the private market to leverage resources, and focusing on the needs of the smaller U.S. businesses to pursue opportunities in the developing world. This was in response to the concerns by many in the past that OPIC was merely dispensing corporate welfare. Our efforts to create lasting results at OPIC mirrors the efforts of the TPCC over the last year, efforts in which OPIC has been privileged to play a role.

With our other colleagues, we have conducted a joint investment mission in Pakistan. OPIC is active in Afghanistan where we are in the closing stages of executing $40 million in financing and political risk insurance for a much needed business base hotel in Kabul, the first of its kind. This project will represent the largest United States private investment in Afghanistan since the fall of the Taliban. Indeed, it is the largest United States investment in Afghanistan in a generation, if not more.

Suffice it to say that we are also working with the SBA on execution of a cooperation agreement, including employee cross-training. Last week, OPIC signed an MOU with the Department of Commerce Commercial Service, again committing the agencies to better information-sharing and lead generation. We are also working with AID to expand our coordination in our agencies.

I just want to close on Iraq. As Secretary Evans has indicated, that country will clearly be a priority in the coming year. Once we have cleared sanctions and the statutory issues that impact our ability to operate, OPIC is prepared, and very willing and interested to use its programs of finance and political risk insurance to support private sector development in Iraq.

Mr. Chairman, in closing, Congress this year will have the opportunity to review OPIC and its refocused agenda as it considers reauthorization of OPIC programs. Although not formally under the jurisdiction of this Committee, we look forward to working with you and your staff to secure the approval of our legislation before September 30 in carrying out the President's agenda.

In closing, I would like to thank the Committee for its support of TPCC. OPIC is a partner of the willing with our colleagues here today to provide the most effective investment program services for U.S. businesses, American taxpayers, and men and women in the employment community.

Thank you and I will also be pleased to take your questions.

Senator CRAPO. Thank you, Mr. Watson.

Mr. Barreto and Ms. Bradford, if you would be willing to allow me—we have 10 minutes before we are going to lose the Secretary, and I, at least, have one question that I would like to ask him, be-

fore we lose him. And there may be some others who show up by the time he has finished responding to my question.

This question, by the way, is one I would like the rest of the panel to respond to also, so you may get a heads-up on what may be coming. The question relates to the threat that we see overseas to American interests from terrorism, and especially in the developing countries that are the focus of so many of the TPCC's efforts, where we see a greater threat than at any time in recent memory.

And while the agencies represented before us here today have long had as a part of their mission, providing risk insurance to American businesses to help them protect against political instability and other potential calamities, there is really no question that the risk of direct physical attack has grown considerably and is much higher than we have ever dealt with in the past.

An April 1 notice from the Export-Import Bank advertised the Short-Term Insurance Pilot Program that is now available in 39 Sub-Saharan African countries, including a number where we have threats of terrorism.

In addition, Mr. Watson's testimony before the House Appropriations Committee indicated that despite heightened perceptions of risk, and in a very real sense because of them, OPIC has committed $1.2 billion in loans, guarantees, or insurance to support 45 developmental projects around the world in some of these kinds of countries.

My purpose in covering this ground is to try to get a sense from the panel, and I will ask you to respond now, Mr. Secretary, of how we are responding to this increased threat of terrorism? And I have to believe that this threat is taken into account in determining whether to provide risk insurance in some of these countries, and would just like to know whether you can provide some sense of the threshold of where we are, short of a full-scale war in terms of risk insurance being denied to American companies seeking to operate in these developing countries?

Secretary EVANS. Well, of course, Mr. Senator, there is a full-scale war against terrorism. That is a full-scale war.

Senator CRAPO. That is right.

Secretary EVANS. That continues, and America is bringing all of the might and strength to that war that it can, to make sure that we win that war, along with our friends and our allies all around the world.

As we know right here in America, you cannot have economic security or economic growth without national security or homeland security. The same thing works around the world. You cannot have global economic growth, businesses being successful and performing around the world, without international security or global security. They are integrated. They work together. You cannot have one without the other, and that is why the President has been so focused on the war on terrorism, because he understands that clearly, I think.

So, I think my response, Senator, is that we will continue to do whatever it takes to win the war on terrorism. I mean, we are cutting off their money; we are going after them; we are collecting them around the world. We are providing for a safe and secure environment for people, not only in this country, but also around the

world, and to allow for global economic growth is an essential part of it, for companies to be able to go abroad and export abroad and invest abroad, which means jobs right back here in America.

I think it is just our continuing focus on the war against terrorism, so that we can play a role in providing more security around the world.

Senator CRAPO. Thank you. And as I said to the other members of the panel, we will ask you to comment on that when we aren't under a time pressure.

Senator Dole, we are going to lose Secretary Evans in just a few minutes, and so if you have any questions for him, this is your opportunity.

COMMENTS OF SENATOR ELIZABETH DOLE

Senator DOLE. Mr. Secretary, I know you are working hard to open up foreign markets to U.S. and North Carolina goods and services, and I have been a strong supporter in that regard, and I will continue to be.

But I would be remiss this morning if I did not mention one thing that has caused a great deal of concern in North Carolina, a very critical situation. And that is the agreement that was signed recently with Vietnam. This has a lot of our textile manufacturers and workers very much concerned. They are worried that the agreement will shift jobs out of North Carolina to Vietnam and ultimately, through transshipments, to China.

I would be interested in what the Administration might be doing to alleviate this situation. I know there have been commitments to take the views of our textile industry, our textile workers, into account when these agreements are made, and this is one that is of great concern to North Carolina.

Secretary EVANS. Indeed, Senator, I understand their concern. You mentioned transshipments, and that is an area of serious concern on our part.

In the agreement that was signed with Vietnam, for the first time, we signed an agreement like this that I know about. We had the opportunity to go in and look at the data in Vietnam and see that the data does support the level of quotas that was granted.

If the data does not support it, if the data shows that there have been transshipments coming through Vietnam over the last 18 months, which is when we have seen the growth of imports into the United States from Vietnam—and it has grown dramatically—if you take knit shirts for an example: A couple of years ago, the imports were zero; a year ago, the imports were six million dozen. That was the year 2002. In the year 2003, the imports were coming in at the rate of 18 million dozen a year.

The quota was set at 14 million dozen. We went to Customs. I had two conversations with Asa Hutchinson, and told Asa that I wanted him to commit some additional resources to that specific issue, and asked him to put a team together that would put more resources on Vietnam to go look at this data and confirm the data one way or the other.

If it shows that there have been transshipments, then we have the ability in the agreement to go reduce the quota. That is something that we are actively working on right now. I have asked them

to get back to us as soon as possible. I think we will have an answer on that within the next couple of months.

So since, Senator, as you said, it is this team's goal and strategy to open up markets all around the world for American goods and products and services, but we have to make sure we are maintaining a level playing field around the world as well.

When it comes to transshipments and people—not playing by the rules—we are going to be plenty tough on them. And so I just wanted you to know that because of this dramatic increase that we saw in imports coming in from Vietnam, we felt like it warranted additional resources to go in there and confirm the data, and make sure the data was, in fact, correct.

But if it showed to us that this quota was too high, we negotiated in the agreement that we would have the right to lower the quota.

Senator DOLE. I recall Chuck Hayes, who passed away last year, Chuck was head of the Textile Manufacturers Institute, and he made the comment that if the transshipments had been even half what they have been in the past, our textile industry would be thriving, and we have lost, of course, tens of thousands of jobs. It has just decimated our industry in North Carolina.

I appreciated your support earlier on the idea of a textile tracer. This is something that came up from a citizen in North Carolina.

We were able to find the technology in the Energy Department to hopefully develop a tracer that could be put on yarn, on fabric, as it leaves the country to be sewn, and then when it comes back, you would have something like the watermark on a dollar bill, an ability to determine, was this made in the USA?

Now the scientists who have been working on that at the Energy Department have come up with three methods that they want to test now on the plant floor, and also through Customs. Would you support spending the $1.2 million to provide the tests to finalize this idea of a tracer?

Secretary EVANS. Yes, we have supported this effort, Senator. I think it is a very bright idea, something certainly worth pursuing.

The amount of dollars you just referred to, relative to the cost to American workers—when you think about the transshipments around the world—the cost is very minor. So if we can develop more tools to deal with this critical issue when it comes to trade, I am certainly supportive of it.

Senator DOLE. Thank you. I believe my time has expired. Thank you, Mr. Chairman.

Chairman SHELBY. Mr. Secretary, I think you have to go. Do you have one minute for one question?

Secretary EVANS. Yeah, sure, you bet, Mr. Chairman.

Chairman SHELBY. Thank you. It has been 12 years since the OECD agreed to restrict the use of Tied Aid. I know that during 2002, there was another push by the U.S. to restrict such aid, as well as practices like market windows, that are clearly designed to evade restrictions. Could you just briefly bring us up to date on these efforts on the use of the War Chest, as we call it, to support American businesses facing an unlevel playing field?

Secretary EVANS. Well, I know we have made some great success on that front, Mr. Chairman. As Mr. Merrill just mentioned, we have seen a reduction of some 40 percent or so of Tied Aid-related

exports in the world, and we have been very aggressive in working through the OECD and we will continue to do so.

I think the War Chest has been an important tool for us to have in dealing with that issue. We have seen Japan come to the table and change their practices, as it relates to their Tied Aid practices of using engineering design and preliminary studies to tie that.

Chairman SHELBY. Any success with the French?

[Laughter.]

Secretary EVANS. I am going over there soon, Senator. I will work with them.

Chairman SHELBY. I am not speaking of the war; I am talking about——

Secretary EVANS. Right, I understand. But I think we have made great progress, but we are not there yet. I do not want to suggest that we think we have accomplished all that needs to be done on this front. We need to continue working on it aggressively.

Chairman SHELBY. Mr. Secretary, I know you are under a time constraint, and we appreciate your appearing before the Committee today. You have to go to a meeting, and we are sorry we had to vote, but that is part of the Senate.

Secretary EVANS. I understand.

Chairman SHELBY. We will continue with the other panel.

Secretary EVANS. Thank you, Senator.

Chairman SHELBY. To the rest of the panel, the question was asked of the Secretary regarding terrorist and risk insurance. Do you want to comment on that? Do you want to start, Mr. Merrill, on terrorism and risk insurance?

Mr. MERRILL. Yes, I know. Were you here for the question?

Chairman SHELBY. No, I am familiar with the question, but I did not know if the four of you had had a chance to answer it and give your opinions on it.

Mr. MERRILL. First, that is our business. We have a number of risk policies in place to protect U.S. exporters when the commercial sectors are not there.

Now, we still charge market rates. What happens here is 13 U.S. Government agencies, with which we and OMB participate, set the risk assessment on several different scales, but the easiest way to think of it is one to 11. The highest number being the greatest risk. Cuba would be 11. You are not going there. Those numbers reflect the current assessment of risk the Government is going to have to take into account.

We have tried to address this in a couple of other ways. The Senator from Idaho referred to an Africa program in his question, and this is part of a pilot program. This is a pilot program under the AGOA, Africa Growth and Opportunity Act.

Again, we are trying to open investment in Africa, while still providing for a reasonable assurance of repayment. We note that the commercial sector is not there, in general, and is certainly not there without us. So without us, they are not there.

Let me say that around the world, and with respect to Africa, the risk premium will have to be adjusted to fit whatever the risks turn out to be.

One other thing we have been doing—you can cook the books in the short-term but you cannot cook them over 10 years. The risk

will turn out to be whatever it is. We are not going to cook the books. Another thing we have been doing, however, is talking to insurance companies. I have been talking to an American Insurance Group that is commonly known as H. Greenberg's operation, Frank Wizner, Ambassador to India and Egypt.

Chairman SHELBY. We know him.

Mr. MERRILL. What we have been talking about is working out a deal with AIG and other similar insurance companies where we overlay one another. In other words, they have certain countries where they have, let's say they will reach a cap. We may go above the cap. Well, we have countries where we go first and they take the upper end of the cap. What we like to do is cooperate with American insurance companies to address this very issue.

Chairman SHELBY. Mr. Watson, do you have any comments?

Mr. WATSON. Yes, thank you, Mr. Chairman. Senator Sarbanes, good to see you, sir.

Our respective agencies are those primarily involved. For OPIC, in addition to supporting jobs, our mission is, of course, to support the national security and foreign policy objectives of this country. But we do so in a way that takes prudent risks in managing our portfolio, which we do in cooperation with, not competition with the private sector.

In that context, OPIC continues to work on a self-sustaining basis at no cost to the U.S. taxpayer. In fact, it returns money to the 150 Account. But we can support America, and have done that, in a way that has extraordinary benefit for the national security goals of the United States.

In relation to terrorism, our mission is precisely to ensure that the key national security tools of the United States, our foreign policy and our military capability, is supported by our long-term goals in opening up these economies and these peoples to economic pluralism, open markets, and the private sector. These are the long-term tools of ensuring that we prevent the ability for terrorism to take root in the future. Open markets, communication, tourism, freedom of belief, these are all principles upon which this country has been developed and it is our greatest export.

Our job is to support that, and we can only do that in conjunction with the private sector. We can do it in a prudent way at no cost to the taxpayer. That is what we do.

Chairman SHELBY. Mr. Barreto, do you have any observations?

Mr. BARRETO. Thank you, Mr. Chairman.

Just briefly, the place that SBA interfaces mostly with small businesses is really through export financing, we have a number of different loan programs. Also, technical assistance, which is so critical to small businesses.

There is no doubt that terrorism plays a major role in a small business's interest in exporting and importing and really being involved in the export marketplace. It is one of the reasons that it is so essential for us as an agency to work very closely with our TPCC partners.

I would say one other thing. According to our figures 97 percent of all exporters in the United States classify as small businesses; over 200,000 firms are small business exporters, but they only represent less than one-third of all the trade that is occurring. So

there is a great opportunity to engage those small businesses and really try to grow the pie of opportunity for them, and really educate them to those opportunities.

Chairman SHELBY. Tell us how they do that?

Mr. BARRETO. We do that through our network of technical assistance providers, and all of the people that we have in our network that deal with trade issues, and export issues. We have a very large network, as you know. We have SBA personnel in every State in the union. It is really the place that we can touch the most small businesses.

One of the things that we want to encourage them to do is oftentimes they are only doing business with one country. So if there is a part of the world that is particularly dangerous, we want to open them up to some other opportunity, and we think that is a very prudent way for us to go.

Chairman SHELBY. And so, it could help our economy immensely, couldn't it?

Mr. BARRETO. Absolutely.

Chairman SHELBY. Ms. Bradford.

Ms. BRADFORD. Mr. Chairman, Senators, and the Committee, the Trade and Development Agency, as part of the Foreign Assistance Program of the United States, finds that SARS and terrorism are the greatest impediments to our doing work overseas. Of course, we are worried about the risk of our own staff who are there and the contractors for the Agency, but we really see it as a balancing act. Our job is to keep trade open while still providing some security.

We have focused on transportation security by screening passengers and cargo before they travel. Securing the supply chain as goods move through Customs and between borders so that you can lock containers and make sure that the goods that you packed arrive safely where they need to be without having to be opened at each border crossing along the way, which provides an opportunity for terrorism to happen.

By using IT expertise so that we can track containers, anyone who is trading can track containers and the security of those containers. You find that it reduces the chance for corruption. It increases transparency. It facilitates trade. And as we know, the rapid transit of goods across borders is what makes trade happen and helps the economies on both sides of the transaction.

Chairman SHELBY. Senator Sarbanes.

STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. Thank you very much, Mr. Chairman, and I apologize for being delayed in getting to the hearing. Actually, I have three hearings going on at the same time——

Chairman SHELBY. Plus two votes.

Senator SARBANES. Yes. When I first looked at it on my schedule, my first reaction was, I am not going to go to any of them——

[Laughter.]

Senator SARBANES. —it was too much of a conflict to decide, but I finally resolved it.

First, I want to thank you, Mr. Chairman, for holding this oversight hearing. I think it is extremely important that we keep a Congressional focus on the TPCC. I think it helps to give it some

energy and momentum, and it is important for people downtown to know that Congress is watching and that we care about this program, and we regard it as important.

The effect on this, of course, on the TPCC depends upon the leadership it receives from the chairman and the other key members. Let me say it has been my perception that Secretary Evans—and I know he had to depart—and Under Secretary Aldonas recognized the importance of the TPCC from the time they took office as a way of having a greater sense of strategy and focus to U.S. export promotion efforts. They have made energizing it a priority, and they have gotten the active cooperation and leadership from the other agencies represented on the panel this morning. I want to express my appreciation to all of you in that regard.

I understand that a Deputy's level, meaning Under Secretary level, of the TPCC takes place every 6 weeks and that lower staff level meetings take place on a weekly basis. And this is a tremendous advance.

The precipitating event for establishing the Coordinating Committee was the hearing we held in which we had at the table from a range of agencies, these and others, other departments, involved in exports and the question was asked: How many people on the panel knew other people on the panel? Nobody knew anybody else. They were all just clearly working within their own silo and there was no interaction.

At the hearing last year on the 2002 Report, Secretary Evans and the other agency leaders presented findings and recommendations obtained from a benchmarking exercise. This was a series of surveys and focus groups used to measure customer satisfaction with the TPCC's programs and a search for best practices among the governments of our major competitor countries to see how they promote exports.

A series of recommendations came out of that, and I am very pleased to note this in Appendix A that is in this year's report, in effect providing a progress report on the 2002 recommendations. This is, in my judgment, very good follow-up because it sets out the recommendation, the accomplishments so far, the next steps the progress measures, and it really gives you a very handy way to see where we are and some idea of where we are going to go.

Having said that by way of opening, I would like to just ask a few questions:

First of all, the report mentions that a key area of collaboration among the TPCC agencies has been the development of an interagency training program designed to impact client management skills and broader knowledge of the programs and resources that are available to assist U.S. firms in the international marketplace.

The Pilot Training Course was apparently delivered in January of this year. Participants from nine different TPCC agencies—the five that are here at the table, and the Departments of Agriculture, State, Transportation, and AID. This strikes me as a promising initiative. It is obviously consistent with the statutory mission of the TPCC. Are there plans to institutionalize and expand the interagency trade officer training program? Who would like to elaborate on that?

Mr. ALDONAS. I would, Senator Sarbanes.

We included in our budget request for this fiscal year and again for next fiscal year training monies that are designed to encourage that program to go forward.

We will have sessions in June and September of this year to follow up. From my perspective, these initial stages are a little bit of training the trainers. What we are going to have to do is, if we are going to get as much of a multiplier effect, is to make sure that we have some of these people who have gone through the training program get out and meet with their Commercial Service overseas, meet at SCO conferences as we had last week in Reston, so they can pass on accumulated knowledge.

It is all designed really to create account managers within the Commercial Service that can serve as marketing reps for all the agencies. So that, whether it is a Commercial Service office in the United States where SBA is not co-located, or we do not have an Ex-Im Bank rep, you still have somebody there you can talk to that knows enough about the programs so they do not simply refer the customer on to someone else, but who can actually help tailor the programs to their needs, give them the advice they need, and make sure they have the contacts overseas with the FCS that can put them in touch with their contacts abroad.

Senator SARBANES. Good. I understand the TPCC has been developing a new program that would combine Commerce, Ex-Im Bank, and SBA resources toward an integrated Small Business Trade Finance tool for working capital loans. However, I understand that SBA's participation in the program may be affected by the cut in last year's appropriation bill for SBA participation in the U.S. Export Assistance Centers, the so-called One-Stop-Shops. How are we going to deal with this? I mean it seems to me it is certainly a worthwhile initiative and I am concerned that it seems to be——

Mr. BARRETO. We have been working very closely with our partner agencies here. One of the things that we have been able to do is actually formalize a lot of our participation with formal memoranda of understanding.

It is correct that we had asked for $3.1 million in this year's budget which was not funded. We have continued working very closely with the Department of Commerce on this very critical function, and we plan to continue doing that. Obviously, in the 2004 budget, funding has been requested again, and we will do everything that we can to make sure that that funding is there and that we are able to continue.

But regardless of that, there shouldn't be a drop off in this collaboration. I mean the things that we are doing already together in terms of the training and things that we can do going forward I think have been strengthened and are not going to go away. But that funding will be critical to us in being able to continue our USEAC presence.

Mr. ALDONAS. Could I say, Senator Sarbanes, that one of the things we have talked about with Hector, and I was discussing with the Secretary yesterday, was could we absorb some of that expertise into the Commercial Service? What you really have is a cadre of trade finance professionals that could serve as a resource for the Commercial Service, particularly in this area of small- and

medium-sized enterprises where they need the most help, frankly, and guidance.

I was in Rockford last week at one of our manufacturing hearings. The President has launched an initiative on manufacturing, and a fellow by the name of Don Metz described the success he has had in working with Patrick Hoppen with the Small Business Administration. He used the phrase of, somebody had to persuade him to get out of the boat and walk on the water, in terms of exporting and really what he had relied on was precisely the cooperation between the local SBA office and our USEAC in Chicago and the northern Illinois area.

There is a lot of value to that, particularly on the financing side. So what we are trying to do with Hector is to see between the two agencies how we can make sure that we have absorbed that talent and we continue to provide that service one way or the other.

Senator SARBANES. Well, we want to encourage that initiative.

When we reauthorized the Ex-Im Bank Charter last year, we addressed the problem of market windows. We gave Ex-Im Bank explicit authority to match market window financing, and we directed the United States to seek negotiations for multilateral disciplines transparency within the OECD with regard to market windows.

The legislation requires a report in 2 years on the progress of the negotiations. It also requires Ex-Im Bank to include an assessment of the use of market windows by other countries.

I note that the National Export Strategy Report mentions that the Ex-Im Bank and the Commerce Department have commissioned a detailed study of the nature and volume of market window trade financing, and that the report—at least as listed here—was expected by the end of April 2003. In other words, last month. I would be interested to know if the report has been received and, if so, whether a copy could be shared with the Committee.

Mr. ALDONAS. Yes, sir, we do have the report and we will make a copy available. We can show it to you in draft.

Senator SARBANES. What?

Mr. ALDONAS. We will show it to you in draft. We have the report in draft at this point. It hasn't been finalized. But we are happy to sit down and discuss it with you.

Senator SARBANES. When do you expect to have the final report?

Mr. ALDONAS. At the end of this month. But I do not see any reason why we shouldn't draw you into the process of having a discussion about what is coming out in terms of financing.

Senator SARBANES. We are very interested in that, and I know the Chairman at the outset made a comment about the Tied-Aid Credit Fund and the need to establish a level playing field, and of course some of these countries entered into an OECD regime on the Tied-Aid Credit, and then they went around to the back door and set up these market windows. So, we need to look at that entire landscape, and we are anxious to work with you on that.

I want to ask Peter Watson a quick question. You will be seeking a reauthorization, I think—between now and September.

Mr. WATSON. Yes, sir, that is correct.

Senator SARBANES. I understand in the draft legislation you are seeking a change in the current definition of "eligible investor."

Mr. WATSON. Yes, sir.

Senator SARBANES. So according to the letter accompanying the request, "It is necessary to update this definition to include enterprises and financial institutions with projects that may not be majority U.S. owned but have significant U.S. connections that provide support to the proposed project in the form of U.S. employees, facilities, or payment of taxes."

I guess the bottom-line question is: Are you now proposing that OPIC guarantees be provided for investment by foreign-owned companies? Is this what this amounts to?

Mr. WATSON. Senator, what we have—not just ourselves but the Department of Commerce and Ex-Im—had to try and respond to in the last several years is that major U.S. industry groups, significant participants in the U.S. economy, Westinghouse, Chrysler, amongst others, have no longer been eligible to be supported by our agencies. And our agency, in particular, by reason of the acquisition of significant U.S. companies and U.S. workers, has meant that we, by reason of an antiquated definition of who we can support, have, in fact, been penalized by the increasing integration of international investment.

What we are wanting to do is to be able to recapture the ability to support U.S.-based employment, U.S.-based taxpayers, U.S. content, and U.S. production that is not being able to be supported in the current economic environment.

We have many instances where there are, indeed, nationally foreign-owned corporations that have greater assets, a greater number of employees, and a greater capital base in the United States than they have elsewhere. Siemens is an example. BP Amoco is an example.

Senator SARBANES. Let me ask you this question: Have you run out of U.S.-owned companies to provide the guarantees to and now you are searching around for foreign-owned companies?

Mr. WATSON. The answer is, obviously, no, Senator.

Senator SARBANES. Why would we shift off some of the resources in that direction?

Mr. WATSON. Well, the essence of this is we want equality in being able to avoid penalizing existing U.S. workers and U.S. companies that previously have been able to receive our support. They now have, in fact, been penalized simply because of being owned by foreign companies. We want to be able to support those U.S. workers but we are not now able to do so.

Senator SARBANES. I think this is an issue that is going to have to be very carefully looked at.

Mr. WATSON. Agreed.

Senator SARBANES. I don't think it really responds to the concern to use language that sort of sacks the debate by, for instance, characterizing it as "antiquated requirements," "penalizing," and so forth and so on. I mean there is I think a very legitimate question, and particularly the question if you start down that slippery slope where do you end up.

Also you have a lot of people seeking these guarantees, and so forth, and so the question becomes how do you choose amongst them. But obviously that is something that will be more carefully examined when your reauthorization issue comes before us.

Mr. Chairman, I appreciate your indulgence in letting me go on.

Chairman SHELBY. Thank you. Senator Sarbanes—I know you need to get to other committees—I acknowledged your work dealing with the Trade Promotion Coordinating Committee earlier, and that was created and it was codified in law due in no small part to your efforts, and I wanted to acknowledge that in public.

Senator SARBANES. I appreciate that very much.

Chairman SHELBY. You have a great interest in this, and you are very knowledgeable about it and I think it is an important area.

Senator SARBANES. We think it is doing some good, and it has certainly gotten a good, strong boost from this Administration. On occasions I differ with the Administration, but when we are in agreement I want to make sure I recognize it, and they are doing a good job on this. Thank you.

Chairman SHELBY. Senator Crapo.

Senator CRAPO. Thank you, Mr. Chairman.

I am going to have to apologize to Mr. Barreto and Ms. Bradford because they still have not had a chance to make their opening statements yet.

Chairman SHELBY. Do you want to make your opening statements, or do you want them to be made part of the record?

Mr. BARRETO. It is your call, Mr. Chairman.

Chairman SHELBY. No, it is your call.

Mr. BARRETO. I am happy to read it. If we have time constraints, we are happy to answer questions, as well.

Chairman SHELBY. Read it? Or paraphrase it?

[Laughter.]

Senator CRAPO. I would give up my time for them to make their statements, Mr. Chairman.

Chairman SHELBY. You go ahead.

Mr. BARRETO. I will try to paraphrase.

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

Mr. BARRETO. I will try to paraphrase. I just want to echo many of the comments that have already been made. I think one of the things that we can attest to is that we are working closely together. We do know each other. We are doing many things together which I really believe are going to further the agenda of TPCC.

I also want to acknowledge the leadership of Secretary Don Evans. I think he has really been a champion on us working together and really measuring ourselves by the results that we get.

I have had an opportunity to be with him on a number of trade missions already, working on the Partnership for Prosperity, and this is definitely a top goal and priority of this Administration.

As has been said many times before, for us this is a critically important initiative because of the fact that these small businesses play such a large role in exporting, and they also play a huge role in our economy in the creation of businesses.

One of the things that I was very heartened by was the recent study by the Commerce Department which showed that 30 percent of nonexporting small businesses would be interested in exporting if they had somebody to partner with and to help lead the way.

We think that is a very significant opportunity for all of us.

Chairman SHELBY. It would create some more jobs, wouldn't it?

Mr. BARRETO. Absolutely. Absolutely. We really are the engine that fuels the economy and we need to find every way we can to grow that pie of opportunity for them.

I have mentioned some of the things that we have already done with regards to our partnership agreements, the symposium that we have all participated in, and the coordination that is currently going on. And so I just again want to say that we are very excited about some of the progress. We are not anywhere near done yet. There is a lot more that can be done. But we are definitely on the right road and we want to thank this Committee for having this hearing and the support that they have given all of us in continuing with the mission.

Thank you, very much.

Chairman SHELBY. Ms. Bradford.

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

Ms. BRADFORD. Mr. Chairman and Senators, thank you for the opportunity to appear here today. I would like to read my statement. It is short. But as a niche player that may not be as well-known as the agencies of my colleagues, I would like for you to know exactly what we are doing.

I am Deputy Director of the Agency. Director Askey apologizes and regrets not being able to be here today. I am very pleased to testify today because I was a staff member on one of the original interagency committees that worked on the TPCC over 10 years ago and I can verify how valuable it has been both to me as an individual and to our Agency over the years.

Throughout the year, the USTDA works closely with other TPCC members to enhance our mutual effectiveness, leverage our resources, and focus our joint efforts on projects and activities that will garner U.S. export success.

The USTDA's mission is unique. As a foreign assistance agency, it is at the nexus of U.S. export promotion and the advancement of important overseas development objectives. In carrying out our mission, USTDA works with our TPCC colleagues and with other agencies to bring their particular expertise to a wide range of development priorities.

At USTDA our strength comes from facilitating U.S. private sector solutions to modern infrastructure needs in developing and middle-income countries. USTDA also brings U.S. private sector expertise to bear in assisting countries in the development of specific sectors such as energy and transportation, which can serve as catalysts for economic growth and increased trade.

During the past year, the USTDA has worked with other TPCC members to implement the National Export Strategy. I would like to share some examples of USTDA activities in this effort. In particular, USTDA activities are supporting important U.S. trade and foreign policy objectives. For example, USTDA is active in many post-crisis regions such as Afghanistan.

Since early 2002, we have committed roughly $2.5 million for project planning activities in Afghan civil aviation, telecommuni-

cations, oil, and gas and electric power sectors. I know this does not seem like a large amount of money in the scheme of things, but you have to understand that the $2.5 million are catalytic funds, putting U.S. firms in on the ground floor of large projects worth hundreds of millions of dollars.

We are currently considering $3 million in additional activities. Next month, USTDA will co-sponsor an Afghan conference with the Department of Commerce outlining opportunities that we have identified as having strong potential for the U.S. private sector involvement while rebuilding that war-torn country.

Along those lines, there is an important role for the USTDA to play in Iraq in putting the private sector to work in many essential sectors. These areas include: Transportation, telecommunications, electric power, and downstream petroleum processing such as refining petrochemicals and fertilizer production. These sectors represent areas in which the need for new investment is great. The population will receive direct and tangible benefits and the U.S. private sector has expressed interest in these particular sectors.

Another component of USTDA's portfolio is our support for U.S. trade policy initiatives. In Africa, for example the Agency has supported activities under the AGOA framework. USTDA is also working closely with USTR and other agencies by providing support to a number of trade negotiations, most notably the SACU, South Africa Customs Union Free Trade Agreement, and CAFTA, Central America Free Trade Agreement.

This year's National Export Strategy discusses a number of sectors that are priorities for the TPCC and USTDA. For example, we have taken a leading role in identifying and supporting potential transportation security projects that I referred to earlier in the "Secure Trade in the APEC Region" or the STAR Initiative. Earlier this year, we co-sponsored a STAR conference in Thailand with the State Department.

Turning to specific countries and regions targeted for early project development, USTDA reopened in China 2 years ago, and our country portfolio has grown rapidly. In 2002, we were involved in 46 separate projects there with a focus on aviation safety, again going back to the terrorism problem, and energy and the environment. Already we have seen some U.S. exports resulting from the USTDA activities in China.

In Mexico, USTDA funded a variety of activities that support the Partnership for Prosperity, P for P, including the signing of master grant agreements with two Mexican development banks. USTDA has strengthened our cooperation with our TPCC colleagues, particularly SBA, OPIC, and Ex-Im through support of the Partnership for Prosperity. USTDA has implemented a strong program in Central and Eastern Europe, notably in environmental investments, particularly waste energy and renewable energy projects.

We work closely with our colleagues overseas in several regional offices, which are like the USEAC's where we are co-located, particularly in Eastern Europe and Eurasia. In addition to USTDA personnel, we have representatives from Ex-Im, OPIC, and the U.S. Commercial Service, and this joint overseas presence enables us to share information effectively and to better coordinate our activities and services to U.S. firms.

USTDA also participates in a number of events throughout the year designed to inform the private sector about the Agency's programs. We worked with OPIC in the Andean Regional Trade and Investment Conference, Ex-Im's annual meeting, OPIC's Arizona Mexico Trade and Investment Conference, and last week we hosted a seminar for small- and medium-sized businesses at TDA, and we were happy to have Administrator Hector Barreto participate in that with us.

We are also very involved in the pilot interagency training course, and we are looking forward to hosting that training course at our Business Center in June.

As we look to the future, we anticipate continued high demand for USTDA programs and we are pleased to work with our other TPCC members as we move forward.

Chairman SHELBY. Thank you.

Senator Carper.

COMMENTS OF SENATOR THOMAS R. CARPER

Senator CARPER. Just a quick couple of questions then I have to head back to the floor. How long has the Coordinating Council been in existence?

Mr. ALDONAS. About 10 years.

Senator CARPER. Ten years?

Mr. ALDONAS. Yes.

Senator CARPER. Any idea what the trade deficit was about 10 years ago?

Mr. ALDONAS. I would say it was probably just shy of 3 percent of GDP.

Senator CARPER. Which would be about?

Mr. ALDONAS. At the time I would have said maybe like $25 billion, $20 billion, something around those lines.

Senator CARPER. Any idea what it was last year?

Mr. ALDONAS. It is about 5 percent of GDP.

Senator CARPER. And roughly, what would that be?

Mr. ALDONAS. I am sorry. I misspoke myself. It is more on the lines of $200 billion, because right now I think we are perking along at, gosh, I want to say like $400 billion a year. It has about doubled over that time, Senator Carper.

Senator CARPER. Does the rest of the panel agree with that? Does that sound about right? Okay. I see heads nodding. So before the Coordinating Council was created, our trade deficit was roughly $200 billion. Today, it is closer to $400, maybe more this year. If you look at the reason why we created this Council it is to try to turn things around. And not to take anything away from the efforts of each of you and the people you work with, why were we headed in the wrong direction? Not just by a little bit, I mean by a lot.

Mr. ALDONAS. The trade deficit, of course, is driven by an awful lot of things that relate to the disparity in growth. I will give you an example. Normally when you see our trade deficit close, it is because we have gone into a recession and other economies are going stronger. And in fact, one of the reasons 10 years ago—it is interesting. It is really the last time the trade deficit closed. The reason was, we were in a recession. Japan was still growing, and Europe was getting strong growth.

What happened this time around is we went into the recession, Japan and Europe trailed us in. We have come out rather slowly. They have not. In fact, they may be back in recession at this point, which means that our export has faced an exceedingly challenging environment. So while exports are up in absolute terms, imports are up significantly higher, and it is because our economy is growing faster.

Senator CARPER. I am going to ask each of you to think about something and then I will come back to ask you for your thoughts. I would like your best single thought on what we can do to turn this around and get the trade deficit heading in the right direction. Each of you just one idea, what you think is a very good idea. It could be something that could be done administratively, legislatively. It could be something we are doing with respect to monetary policy, the value of the dollar. Just give that some thought.

I am amazed, Mr. Chairman, at how little attention is given to the magnitude of the trade deficit. To see what it was when you and I were in the House together and to see what it is today, my understanding is that in order for us to continue to run these kinds of trade deficits, somebody has to finance it, and as long as people from around the world are willing to invest money in this country to offset the size of our trade deficit. We can get by.

But eventually, I fear we are going to reach a point where the rest of the world will lose their enthusiasm about continuing to invest in a country that forever is increasingly purchasing goods and services from abroad. And we are trying to get the economy moving here. The monetary policy has been most accommodative, and we have these very low interest rates. But at some point in time, I fear that in order to be able to continue to induce other countries' investors to invest in this country, we are going to have to raise interest rates. When we raise interest rates, that has, as you know, it could have a potentially adverse, maybe devastating effect on our economy and our ability to recover.

So, I would put that on the table. You have had a minute to think about your maybe single best idea, and Ms. Bradford if you want to lead off, I would welcome your recommendation.

Ms. BRADFORD. Thank you, Senator. With due respect, sir, our Agency is a very practical, project-by-project agency that provides funding to get U.S. firms on the ground floor of development. So, I would defer the policy decisions of how to take on the large issue of handling the trade deficit to those that are more experienced in those policy issues than we are.

Senator CARPER. All right. Thank you.

Mr. Barreto.

Mr. BARRETO. A number of thoughts on that. I mentioned before that 97 percent of all exporters are small businesses, but they only represent less than 30 percent of the trade. So there is a great opportunity to engage that 97 percent.

But what we find, and this is in particular to small business exporters in general, they do not know what they do not know. There are a lot of programs that are represented at this table that they are not accessing. We cannot wait for them to come to us, we have to go to them. And that is why the collaboration that is going on on this Committee, the streamlining of processes, the simplification

so that it is easier for these small businesses to access these programs is so critically important.

I think that we have a significant opportunity. I think also that one of the things that we are hearing is a lot of excitement with regards to some of the potential trade agreements that could be in the offing. The United States has been party to very few trade agreements. Now that the President has the negotiating authority to engage the Central American countries and other countries in the hemisphere, that is a huge opportunity for small business.

Senator CARPER. All right. Thank you.

Mr. Watson.

Mr. WATSON. Senator, I share your concern about the increasing numbers on trade deficit. What is little appreciated in terms of these numbers of U.S. exports is that, in fact, over 50 percent of U.S. exports go to U.S. corporate affiliates abroad, which is to say the offices of U.S. companies abroad who then in turn integrate these and export them onward into other economies. I want to say it is about 56 percent of all U.S. exports now currently go to affiliated U.S. companies and joint ventures abroad.

If you think about it, that being the major platform, the way to increase our export profile is to ensure that more companies can, in fact, establish competitive operations outside of the United States and be able to penetrate those markets. That means that while their coordination might not have been as effective previously amongst these agencies, what you do have is the mechanisms to ensure that U.S. exporters, U.S. manufacturers, U.S. men and women in the workforce do have the platforms and do have the vehicles and programs to be able to ensure equitable access to these countries and these economies and these markets, which are the vehicles and platforms for driving U.S. jobs.

That 56 percent figure is not well appreciated. And so, we have to be able to expand the ability for us to use the platforms of foreign access to grow that percentage. You have to do that by competitive means and helping programs such as these.

Senator CARPER. Thank you, sir.

Mr. Merrill.

Mr. MERRILL. Senator, I am not smart enough to have a single best thought on a subject this complicated, so I will have to give you three.

Senator CARPER. Okay. We will take them.

Mr. MERRILL. First, $100 billion of the trade deficit is simply China. It came up earlier before you arrived. I suggested earlier that I had met with the Chinese Ambassador on this subject and so forth.

Second, let me say $100 billion plus, is undetermined because of varying price, is the import of oil. It seems to me the oil issue is simply a separate issue that is more complex than can be summarized or adequately addressed here. But suffice it to say a very large portion of the trade deficit is the import of oil and whether it is to our interest to produce more of our own oil, or to import more oil, and all the associated questions that go with that, cannot really be addressed at this point. So let me just say it is oil.

Senator CARPER. Okay.

Mr. MERRILL. The third point that I would make is that the central fact of our time is the explosive growth of the U.S. economy. We have a $10 trillion economy. We went to war with a country that had a $26 billion economy. Russia's economy is $346 billion. Brazil, 60 percent of our size in population, about the same size in area, has close to a $500 billion economy, 5 percent of ours.

What has shifted is the let's say former banking advice that banks would have given their clients, which said invest in the United States, diversify, some in the United States, some in other places, because if we are doing well, they are doing badly and vice versa. What seems to me has changed is that when we do well now, because of the sheer size of us, other people do well. And when they do well, we do well. That is, we are now linked together rather than opposites.

The biggest and the most promising exports are knowledge-based services. We should be exporting more services, more programs. Training doctors at Johns Hopkins or Massachusetts Medical is effectively an export for the United States. The exporting industries that do export tend to have about 20 percent higher paid workers in the United States than the rest of the working community. So the short form is that we should promote, I am going to call it knowledge-based imports, leave that like oil, without going into nuance, and suggest as well to you that the Japanese economy is unable to right itself, because basically they cannot write off their bad debts, and the European economy, without reflections on our putative friends, have a problem breaking what might be called a social contract. It takes 2 years to fire somebody or replace somebody and there is very little mobility of labor, although there is mobility of management.

Senator CARPER. Mr. Merrill, my time has expired and then some, so——

Mr. MERRILL. Let me just say, it is hard for me to see an awful lot of people investing in either one of those great entities as opposed to the United States.

Senator CARPER. Those are great answers. Thank you very much. Could you just give us a quick benediction here?

Mr. ALDONAS. Sure. Preach what we practice. You know, Phil's right. If you look at Asia right now, Japan still represents two-thirds of the GDP, if Japan's flat on its back, we are not going anywhere. I can put it this way, which is that the size of Vietnam's economy is smaller than the Japanese annual bar tab. So if Japan is not doing what it has to do to spur economic growth, you are not going to see growth throughout Asia even with China rising.

The same thing in Europe. If they are locked into a growth and stability pact that essentially limits, as you pointed out Senator, the flexibility that Alan Greenspan has responded to circumstances in the market, if they do not have those tools available to them and they aren't willing to look hard at their own policies to try and give them a progrowth strategy, particularly on the monetary policy side, then we have real trouble.

And again, I am as concerned as you about the trade deficit and whether or not it is sustainable. Because at some point if they are not growing, this house of cards comes down. Growth is the answer. But they have to be doing the right things domestically.

When the President goes to the G–8, he has to make that abundantly clear, as I know he will, that we have to back that up through institutions like the IMF and the World Bank so that people get the message. Because unless they are doing the right things at the macro level—cutting taxes, responsive monetary policy—and at the micro level in the developing world—protection of private property, all the sorts of things that give you a sound basis for small businesses to grow and thrive and provide the innovation, there is not a lot of hope out there for strong growth and a way of closing that deficit without us taking a hard economic hit.

Senator CARPER. All right. Thanks.

Mr. Chairman, those are good responses, and I want to thank you for being generous. Let me just say in closing, the comment you made about the size of the Vietnamese GDP being smaller than the Japanese bar tab, clearly if we can get the Japanese to drink more, that will help the people in Vietnam.

[Laughter.]

Senator CARPER. The other thing I would say is that——

Mr. ALDONAS. They have their reasons.

Senator CARPER. The trade deficit with China is now going to $100 billion, one of my friends says, we should reprint those Little Red Books, Mao's Little Red Books, and distribute them broadly throughout China, and get them back on the right track.

[Laughter.]

Senator CARPER. Thank you.

Chairman SHELBY. I think they are repudiating those books.

[Laughter.]

Chairman SHELBY. Thank you.

TPCC has focused on Russia as one of the three major tests for the National Export Strategy. These countries were chosen on the basis of their potential and TPCC resources already dedicated to them, it is my understanding. Some of us are concerned about the people in Russia. I am concerned not because I question its potential per se, but because of the pervasive influence there of corruption and organized crime. A recent report by the Moscow-based Central Economic and Mathematics Institute of the Russian Academy of Sciences and the Foundation for Information on Democracy states the following: "Corruption is an integral part of economic activity, with ill-defined boundaries between politics and private businesses. Market competition is also weakened, since the winners often prove to be not the most competitive agents, but rather those who gain advantages through bribery and special connections."

I appreciate that the goal of capacity-building activities is to assist foreign countries to establish a statutory framework necessary to draw foreign business.

I would like to hear from you, if you could, your best assessment of the track record, including the Russian Government's own efforts, which are spotty, at best, perhaps, to date, in eliminating corruption, so that American companies can do business there without being unfairly disadvantaged by virtue of their adherence to U.S. anticorruption laws, specifically the Foreign Corrupt Practices Act.

I should add that this is particularly important, given TPCC's emphasis on small- and medium-sized businesses, which may be more vulnerable to illicit, below-the-screen pressures.

Do you want to start, Mr. Barreto?

Mr. BARRETO. Well, as you know, we are very focused on small businesses based in the United States, but absolutely with regards to their ability to do business with a country like Russia, this is a concern. There needs to be more transparency with how you do business. I will tell you that we have been approached by our Russian counterparts. They have visited us at the SBA. They are very interested in some of the programs we have, and they are trying to emulate some of those things themselves, in their own country. I know that some of my colleagues have had much more experience dealing with our Russian colleagues, and probably have a better understanding of what some of the current trends are in that area.

Mr. ALDONAS. Senator, if I may?

Chairman SHELBY. Go ahead.

Mr. ALDONAS. A couple things: First, there is no doubt that we have to keep after the issue of corruption, both on the demand side with Russia, continuing to work with the Russian Government, but also on the supply side.

One of the probably strongest efforts we have had in the Commerce Department's Annual Report on Corruption is the effort to ensure that those in the OECD who are the source of a lot of these funds—you will recall that the French and the Germans used to offer tax deductions for bribes—live up to their obligations under the OECD Bribery Convention, so that we are attacking the problem from both sides.

Chairman SHELBY. That is the cost of doing business to them.

Mr. ALDONAS. Exactly. The second thing that I think is important, and one of the reasons that we have focused on Russia in terms of our development, is that both Russia and United States companies benefit in the area of corruption from having United States companies on the ground.

Let me take an example outside of Russia and then come back to Russia for just a second.

A good example would be U.S. Steel's acquisition of the steel works in Slovakia. They issued a policy very publicly in the *Maine Business Daily,* a full-page ad that said if any of their suppliers or their employees were caught involved in any illicit dealings, they would be fired summarily, or the relationship would be ended. And their contracts reflect that. The whole supply chain now has to live up to that standard.

Chairman SHELBY. Is it working?

Mr. ALDONAS. It is, I am happy to say.

Chairman SHELBY. In Slovakia?

Mr. ALDONAS. In Slovakia. So what you have is the same thing with International Paper in Russia, with McDonald's in Russia, with Boeing's engineered design facility in Moscow. The business values they bring in are helpful.

You really put your finger on something, though. As long as you have this in the market, Russia will continue to be a market for big players in the energy area, aerospace, pulp and paper, commodities, things like that. It is a very tough market for the small business guys, as long as you have these continuing problems in the Russian market.

Mr. WATSON. Mr. Chairman, just following on that, significant exports come through the major public procurement projects, for example, the energy areas in which State assets and State-owned enterprises play a role in issuing these contracts. That is where a majority of this corruption can play a role. One of the important provisions that Russia will soon have to comply with when it becomes a member of the World Trade Organization is precisely the public procurement code of the WTO, which prescribes exactly what these governments have to do in terms of opening up the process to transparency. It is not just rhetorical. They are very, very significant provisions that affect members of the WTO. Working in conjunction with the OECD, and, frankly, just disciplining our trading partners, is an important part of the process.

Ms. BRADFORD. The Agency is supporting a project that will support Moscow's efforts to put its government procurement activities online, and this will certainly help address, specifically, the area of transparency.

Chairman SHELBY. Put a little sunshine in there?

Ms. BRADFORD. Exactly.

Chairman SHELBY. Mr. Barreto, you know the problem and the challenge that small- and medium-sized businesses would face in that kind of an atmosphere, don't you?

Mr. BARRETO. Absolutely. I concur with the remarks, and that is why it is so essential that these reforms really get accelerated for small businesses to truly have an opportunity to do business in that part of the world.

Mr. MERRILL. Senator, let me just say that I want to associate myself with the remarks of Mr. Aldonas with regard to the trade deficit issue, even though the Senator from Delaware is not here.

First, I would like to address this, however, one second by saying that the issue you raise, by saying that this is a 70-year process with the Russians, in the last decade, more or less since the Wall came down, my estimation is that maybe they have done 20 years' progress in 10 years' time. We can now make some nonsovereign loans in Russia, which you cannot do in China, or, for practical purposes, cannot do in China.

Since we are not under oath, I am still willing to speak the truth, and what you have is a number of leading Russian economic figures who were thugs a decade ago. We work very closely with our colleagues in other departments, including the intelligence community, generally to see whether or not they are still thugs.

Chairman SHELBY. Their values will be tested, won't they?

[Laughter.]

Mr. MERRILL. Their repayment record currently is quite good. If they were thugs 10 years ago, well, we kind of say maybe they have learned something. We are not going back 10 years. It was 2 or 3 years ago that we started to worry about it. We worry about it a lot. The important thing in dealing with the Russians is to do everything we can to get an effective rule of law, hard currency, the normal attributes of free enterprise, including the ability to enforce a contract.

One could look at it as saying it is two steps forward and one step back, but based on, let's say, the experience of my long-term friend, Leonard Louder, who was run right out of Russia—and that

is a pretty good sized company—it is pretty difficult for small business to take the risk of doing business there. Some can. They have to have a special——

Chairman SHELBY. Maybe that will change and maybe you can help change that.

Mr. MERRILL. We would like to help change it.

Chairman SHELBY. Ms. Bradford, I would like to ask you a question, and then I am going to submit the rest of my questions for the record, if I could.

As the issue of U.S. exports of genetically-modified agricultural goods has proven among our most controversial trade issues, our Trade Representative recently announced his intention to take the issue before the WTO on account of European Union prohibitions on imports of such goods from the United States. How do you see the WTO's case as influencing TDA's current efforts in China or vice versa, and does TDA have similar efforts underway in Europe that might help diffuse a difficult, very difficult trade dispute? Can you comment on that?

Ms. BRADFORD. Yes, Senator, I am glad you asked that question. It is a very difficult area for U.S. exports, if the exporting countries do not understand or have any appreciation for the biotech advances that have been made, China being a particularly good example. And we were able to, over a period of a year, get them to consider actually coming to the United States and taking a look at all of the work that has been done, particularly with regard to safety in the biotech area, and to begin to consider a change in their position.

We considered this to be quite a breakthrough from them, so by offering technical assistance to the Chinese to let them come and take an independent look at what they want to do, we think that we have accelerated their understanding and acceptance of that.

Now, with regard to Europe, as a development assistance agency, we can only work in Eastern Europe, and Eastern Europe is looking toward the EU, really, for the standards that they are trying to meet for accession into the EU. So it is a bit of a problem that is Europe–EU-based, and our ability to work actually in that is somewhat limited, since we are only able to do business in Central and Eastern Europe.

Chairman SHELBY. It is going to take some time, isn't it?

Ms. BRADFORD. Well, I think actually to get the Chinese to turn around in a year or less was quite a success, but we are more optimistic than we were a year ago. And we will take a look at the Europe situation to see what we can do in that area, as well.

Chairman SHELBY. Sure. I appreciate all of your appearances, your participation today, along with Secretary Evans. I have a number of questions for the record that I mentioned, and I will submit them to you. We appreciate you doing what you are doing, and let's get this trade moving.

The hearing is adjourned.

[Whereupon, at 12:00 noon, the hearing was adjourned.]

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

PREPARED STATEMENT OF SENATOR ELIZABETH DOLE

Mr. Chairman, I would like to thank both you and Ranking Member Sarbanes for agreeing to hold this hearing on the National Export Strategy. As a firm believer in the benefits of open trade policies, the need to ensure that U.S. goods and services can compete abroad in international markets is one of my highest priorities. Unfortunately, all too often our goods and services are held at a competitive disadvantage due to both tariff and fundamental nontariff barriers. Meanwhile goods and services from other nations have no such restrictions in our domestic markets.

Furthermore, many of our trade agreements contain initiatives intended to ensure against unfair trading practices by our foreign competition. This is an issue of great importance to North Carolina where our manufacturing base has been hemorrhaging due to foreign competition violating our trade agreements. This issue worries me a great deal. Let me be clear; I am not advocating any drastic breaks in our trade relations. I am simply advocating the active use of initiatives that exist in our current trade laws which were designed to protect industries from illegal practices.

One example of a clear violation is transshipments in which one country will avoid their import quotas by shipping their product through a different country which has not yet made its quota. I have seen evidence of this with China sending their textiles through Vietnam, a country which does not remotely have the capacity to manufacture the amount of textiles they export.

Enforcement of our existing laws to protect our industries against illegal trade practices is one of my top priorities in the Senate. I look forward to working with my colleagues and the Administration on these trade issues. I want to assure you all that my staff and I are always available to work through these issues.

Thank you.

PREPARED STATEMENT OF DONALD L. EVANS

SECRETARY, U.S. DEPARTMENT OF COMMERCE

MAY 21, 2003

Introduction

Chairman Shelby, Senator Sarbanes, Members of the Committee, it is with great pride that I present our progress report on the implementation of the National Export Strategy. Last May, I testified, along with my colleagues on the Trade Promotion Coordinating Committee (TPCC), on the Bush Administration's road map for improving the Federal Government's trade promotion programs. We made a commitment at that time that we would use the TPCC to ensure that the U.S. business community had world-class products and services by the end of this Administration. I am here to report to you that we are on track.

Let me say at the outset that we are under no illusion that the challenge we are trying to meet is easy. As you are aware, our trading partners still dedicate considerable resources and high-level attention to their export promotion programs. The United States continues to have the lowest staffing and spending as a percentage of GDP on export promotion among the G–7 countries. In addition, many of the recommendations we set out in last year's National Export Strategy are tall orders, and will take more time to accomplish. But as I said last May, we are focused on results. This year, we have not developed another National Export Strategy with a new set of recommendations; rather we are keeping our commitment to both you and our clients to follow through with what we promised last year. We believe we have made good progress on the most important recommendations contained in the National Export Strategy. The TPCC agencies have become better strategic partners of business early in the procurement process. In addition, we have sharpened our focus on customer service and strengthened our education and partnership efforts. We know what remains to be done, and we intend to accomplish it.

Mr. Chairman, before I provide an update on our National Export Strategy recommendations, I want to mention some of the contributions the TPCC is making in other areas. First, the TPCC has become a resource and an advocate for the U.S. business community in a number of vital areas. This has meant everything from helping U.S. businesses understand the procurement process in the Iraq Reconstruction effort to getting them the timely information they need to make decisions or making sure their voice is heard within the Administration on key initiatives.

Second, the active cooperation—indeed, leadership—of my colleagues here with me today has resulted in a new culture of coordination and client service among the TPCC agencies which we believe will make a difference in the quality of our programs across the board. We have built a number of bridges across the agencies—

whether it be between the Overseas Private Investment Corporation (OPIC) and the Department of Commerce's Commercial Service or the Department of Commerce's Advocacy Center and the Export-Import Bank (Ex-Im Bank)—to provide our clients with faster service and more products. When it makes sense, we are integrating our programs.

Third, the TPCC is playing a role in the Administration's economic strategy in crisis regions such as Iraq, and in helping support our coalition partners. Agencies are thinking of the first steps they will take to help get the Iraqi economy running once sanctions are lifted, and we have developed initiatives to stimulate trade and investment in those coalition countries where there is a need.

For example, a number of TPCC agencies are playing or will soon play a significant role in Iraq Reconstruction. We have met several times to discuss our efforts. The Department of the Treasury has taken the lead in addressing the financial infrastructure in Iraq. The U.S. Agency for International Development (USAID) is, of course, another key player, providing reconstruction grants and humanitarian and technical assistance to the people of Iraq. The TPCC is working within the Administration to ascertain the major obstacles preventing the finance agencies from operating in Iraq. Once these obstacles are overcome, agencies are looking at a variety of steps they could take, including the following:

- *U.S. Trade and Development Agency (USTDA)*—USTDA will use grant funding for technical assistance and feasibility studies to support future projects in Iraq, including transportation, telecommunications, and electric power. USTDA believes this could provide up to $2.5 million in fiscal year 2003 to support reconstruction efforts in Iraq.
- *OPIC*—OPIC is considering using its existing finance, insurance, and funds programs to help provide liquidity to the financial sector and provide insurance to businesses and contractors.
- *Ex-Im Bank*—Ex-Im Bank also envisions using interim measures, such as looking to the credit of third-country financial institutions to finance U.S. exports to Iraq, pending the establishment of a creditworthy banking system, or other means of finding reasonable assurance of repayment in Iraq.
- *Commerce*—Commerce is already providing information to the United States and coalition companies. The TPCC agencies have worked together to produce an Iraq business guide that provides companies with information on the current commercial environment in Iraq. Agencies and embassies have been flooded with calls from our allies and U.S. businesses about Administration reconstruction plans. In order to address these demands for information, the TPCC hosted a number of interagency meetings that culminated with a joint briefing by the Departments of Commerce, State, and Defense and USAID for U.S. trade associations at the Department of Commerce. A second briefing for coalition partners was held at the Department of State. On June 5, 2003, International Trade Administration Under Secretary Grant Aldonas will moderate another interagency roundtable at the Department of Commerce which will provide U.S. businesses with an update on procurement opportunities and a status report on the sanctions situation.

We are also participating in efforts to assist our coalition partners. For example, Administration representatives have traveled to a number of the countries to help promote closer commercial ties between us. I went to Bulgaria, Romania, and Slovakia in March and plan to travel to Eastern Europe again in the Fall. We are looking into the continuation, and possible expansion, of Commerce's Central and Eastern Europe Business Information Centers (CEEBIC), currently funded by State and USAID, to promote investment and trade opportunities in each of the coalition partner countries in that region. The agencies are also planning a trade and investment conference in the Fall.

Implementing the National Export Strategy

Of the 60 recommendations presented in the May 2002 National Export Strategy, 40 percent have been implemented. Those recommendations that are not completed are well underway.

STRATEGIC INITIATIVES

Last year, U.S. exporters told us they needed more aggressive U.S. Government support for major projects early in the bidding process to meet foreign governments' forceful use of financing. We looked at how other governments advocated on behalf of their companies, and developed a response: A proactive interagency approach in key markets and projects and more effective use of our development assistance and trade financing, when appropriate.

Over the past year, we have achieved measurable success:

Early Project Development

This is an ongoing exercise, as many of the projects we want to target will not come to fruition for several years. However, almost as important as success on a specific project is the more forward leaning culture throughout the agencies that is resulting from this initiative. Like other governments, we have recognized the importance of demonstrating the likelihood of financing up front in the procurement process. The Ex-Im Bank has developed a letter of interest which our Commercial Service officers can use when they solicit projects on behalf of U.S. exporters. The Ex-Im Bank and the Advocacy Center have established a Memorandum of Understanding that increases the likelihood and speed of financing for projects the Commerce Department advocates for.

Mexico, China, and Russia were our initial pilot markets; however, we have not been constrained by those targets. We are applying this proactive approach dynamically to opportunities as they arise. Our Advocacy Center director is working with USTDA and OPIC representatives to explore early project development possibilities in Azerbaijan. In China, Ex-Im Bank is pursuing a framework agreement with the Ministry of Finance, and we have an interagency mission planned, which is currently on hold. In Mexico, agencies brought together hundreds of municipal water and wastewater officials and U.S. companies under the umbrella of a conference organized by Ex-Im Bank and the Mexican development bank. Commerce and TDA followed up that conference by bringing officials of some of the most promising projects to attend a water conference in San Diego in the Spring. In Russia, the trade financing agencies and Commerce will travel together on missions to scout out early projects. We also are taking steps to build good-faith relationships with Brazil as they come out of a difficult economic stretch.

Mixed-Credit Initiative

A pilot initiative combining USAID grants with Ex-Im Bank financing for developmental projects in middle-income countries is one of the best examples of how agencies can do more when they combine their efforts. USAID, Ex-Im Bank, Commerce, and the Treasury worked during the Summer last year to design and develop procedures to implement a pilot program. After the 2003 budget was passed, USAID sent out a cable and we are now getting inquiries from a number of overseas posts. We are currently discussing a pilot project in Peru with the USAID mission. The experience we gain from this pilot holds great promise for better coordination between the economic development and trade promotion agendas on a variety of fronts.

Front-End Engineering and Design (FEED) Studies

This is technical assistance that sets the specifications for particular projects, and therefore often creates a competitive advantage for the country sponsoring it to obtain the follow-on project. Immediately after the publication of our report last May, which included a USTDA pilot FEED study project, the Japanese agreed to a U.S. proposal in the Organization for Economic Cooperation and Development not to link these early project studies with larger Untied Aid projects. This eliminates an important advantage Japanese firms had over U.S. companies in winning major projects. This recommendation stemmed from a complaint from U.S. exporters that the Japanese had used these studies to lock in the overall project for their firms.

Afghanistan

Since OPIC and USTDA undertook the first joint investment mission to Afghanistan last May, USTDA has followed up with orientation visits and feasibility studies for a number of Afghan infrastructure ministries. The Commerce Department has hosted Afghan-American business roundtables and matchmaking events. USTDA and the Department of Commerce will jointly sponsor a conference in June on Afghanistan Reconstruction.

CUSTOMER SERVICE

There is a new culture among the agencies of putting the client first. When the heads of the other agencies and I first came together, we made a commitment to our customers and to the American taxpayer. Rather than create a new crop of programs, we decided to ask the business community exactly what they wanted from us. Rather than duplicate each others' marketing and outreach efforts, we decided to leverage each others' strengths and human capital. With the President's Management Agenda as a backdrop, these commitments have grown into a new culture of customer service.

Ex-Im Bank Restructuring

The Ex-Im Bank went through one of the largest reorganizations in its history this past Fall. It has become more market-focused and customer driven, while en-

hancing its management of risk. The changes are designed to streamline case processing, and standardize customer service and credit evaluation across product lines.

Working Capital

The Small Business Administration (SBA) and Ex-Im Bank have a team developing a parallel financing arrangement to provide the small business exporter with a seamless approach to access working capital for export sales. Commerce, Ex-Im, and SBA are also exploring taking this coordination to a new level by further integrating the working capital programs of Ex-Im Bank and SBA and the marketing efforts of all three agencies. The goal is to have the customer see only one trade finance tool, but provide the agencies with the flexibility to bring to bear the best of SBA and Ex-Im Bank programs. All three agencies would be focused directly on making sure smaller companies are aware of and can easily benefit from the best financing option available, whether it is provided by SBA, Ex-Im Bank, or, whenever possible, a private sector financial institution.

Streamlining Our Programs and Processes

We have redesigned Export.gov, the Federal Government's primary trade website, to make it more useful to small businesses. This redesign was based on feedback from U.S. businesses. Key aspects of the redesign are:

- *Export Basics*—We have added an "Export Basics" section designed for new exporters containing *"The Basic Guide to Exporting"* and a step-by-step guide through the exporting process.
- *NAFTA Certificate of Origin Tool*—The new NAFTA Certificate of Origin Tool guides exporters of products to Mexico or to Canada through the NAFTA form with easy step-by-step instructions. This greatly reduces the time it takes exporters to fill out the form and will allow more of them to take advantage of the tariff benefits.
- *BuyUSA*—The website provides seamless integration with the BuyUSA online partner and trade lead matching service, allowing visitors to access the services of multiple agencies, as well as search for partners and trade leads.
- *Catalogue of Products and Services*—The redesigned website categorizes lists of products and services for exporters, offered by the Department of Commerce, the Foreign Agricultural Service, SBA, and Ex-Im Bank.
- *Export.gov Community Registration*—Community Registration allows site visitors to provide basic information into a central repository that can be accessed by ITA, FAS, Ex-Im Bank, and SBA. Registrants are then able to receive targeted export assistance, market and event information, and automatically fill in online forms within Export.gov.

Training

We held the first interagency trade officer training session last January. Its focus was real-world applications of agency programs and instilling an "account manager" approach—proactively addressing the client's long-term needs, rather than answering one question or helping him with one export action. We had 31 participants from nine of the TPCC agencies. It was extremely successful, according to our participant feedback.

Marketing

We have a marketing working group that has developed a number of joint publications, organized an interagency pavilion at eight domestic trade shows, and conducted a dozen interagency trade seminars and symposiums.

STATE PARTNERS

We are working to leverage our State partners. As State budgets have tightened, we have reached out to our State partners to provide opportunities to leverage Federal trade promotion resources. For example:

- *Florida MOU*—The U.S. Export Assistance Center agencies (Department of Commerce, Ex-Im Bank, and SBA) signed a Memorandum of Understanding that expanded an existing trade alliance to include some 15 trade organizations throughout Florida. The partnership includes a network of Small Business Development Centers, Chambers of Commerce, and Economic Development Centers. We are collaborating on training, business counseling, and trade finance facilitation.
- *Partnership with New Jersey*—The Commercial Service and the State of New Jersey signed a partnership agreement. The agreement co-locates the CS and the New Jersey Commerce and Economic Growth Commission's Office of International Trade and Protocol. In addition to combining efforts on a number of the one-stop-shopping services, providing access to the Commercial Service's worldwide data-

base and collaborating on a successful trade mission to the Philippines, we have worked together on substantial outreach to State legislators to educate them about the resources available.

- *Trade Mission to Central America*—The State of Alabama is taking a trade mission to Central America (El Salvador and Guatemala) on May 17–23, 2003. The Birmingham Export Assistance Center is cooperating in the promotion and the recruitment for the event.

Next Steps

While we have made a good start, the coming year will be critical, as we are in the midst of following through on the most difficult recommendations. The TPCC will continue to focus on achieving measurable results to make sure that the way we implement these recommendations have the kind of impact that exporters expect. We will focus on:

- *Iraq*—The TPCC will work to address existing obstacles to trade and finance agency operations and to coordinate efforts to stimulate private investment and trade.
- *Early Project Development*—We will develop a set of priority projects based on interagency business development missions.
- *Finance*—We will complete the co-guarantee between the Ex-Im Bank and SBA, integrate the programs to the extent possible, and leverage Commercial Service resources toward joint marketing.
- *Training*—The TPCC will institutionalize and possibly certify interagency trade officer training. June and September sessions will fine tune content. We want to expand participants to include Congressional offices and States.
- *Budget*—We intend to leverage existing agency budgets in fiscal year 2005 on priorities such as training and technology.

In sum, we will keep our eye on the ball, and make sure we can show you next year, just as we have today, that we are close to providing world class programs and services for our exporters. My colleagues and I promise you that with your support, we will follow through with our original agenda, and add to it as the needs of the business community, the TPCC agencies, and the Administration evolve.

I thank you very much for inviting me here today. I would be pleased to answer any questions you may have.

PREPARED STATEMENT OF PHILIP MERRILL

PRESIDENT AND CHAIRMAN

THE EXPORT-IMPORT BANK OF THE UNITED STATES

MAY 21, 2003

Introduction

Chairman Shelby, Ranking Member Sarbanes, and Members of the Committee, thank you for the opportunity this morning to join with my colleagues from the Trade Promotion Coordinating Committee to report on the status of the National Export Strategy.

In May 2002, the Bush Administration issued its first National Export Strategy Report. This report served as a road map for the TPCC efforts over the past year. As stated by President Bush, this report "sets the course for achieving a world-class system of Federal programs that are coordinated, leveraged, and focused on the tools small and large U.S. companies need most to take advantage of emerging trade opportunities." The 2003 National Export Strategy Report that you recently received and my testimony today are primarily devoted to reporting on our progress in implementing the recommendations made in the 2002 National Export Strategy Report.

As Chairman of the Export-Import Bank and Vice Chairman of the TPCC, I have a keen interest in working with the members of the TPCC to support our Nation's export sector. Last Fall, Ex-Im Bank went through one of the largest reorganizations in its history. The objective was to make Ex-Im Bank even more responsive to the needs of U.S. exporters who operate in a global environment that demands the rapid and efficient processing of financial transactions. The reorganization achieves this objective by improving customer service and streamlining case processing, while at the same time enhancing risk management.

The reorganization has enhanced Ex-Im Bank's ability to fulfill its mission. That mission is to assist in the financing of the export of U.S. goods and services thereby helping to create and maintain U.S. jobs. Ex-Im Bank pursues its mission by pro-

viding financing to counter the effect of export credit financing from other governments or by taking reasonable credit risks that the private sector is unwilling or unable to accept. The reorganization also supports the recommendations made in the President's National Export Strategy for a streamlined and strategic approach for trade and export promotion.

In nearly 70 years of operation, Ex-Im Bank has supported more than $400 billion in U.S. exports. In fiscal year 2002, Ex-Im Bank financed 2,516 transactions in support of $12.9 billion in U.S. exports. We are continually striving to better serve our customers—U.S. exporters and those businesses and workers who are employed producing those exports.

Implementation of the National Export Strategy

The TPCC was established by the Export Enhancement Act of 1992 to develop a coordinated and effective U.S. Government trade strategy to meet the needs of U.S. exporters. The Bush Administration has recognized the important role that the TPCC can play in supporting U.S. exports and U.S. jobs. Under the leadership of Secretary Evans, the TPCC has been reinvigorated as a mechanism for improved interagency coordination and cooperation, and I am committed to furthering this effort. In short, the TPCC strives to make it easier for U.S. businesses to understand and utilize the U.S. Government's export promotion programs. The recommendations put forward in last year's TPCC report were developed after in-depth discussions with our customers. The recommendations contained in this report are practical solutions to problems that encumber U.S. export potential.

We have made progress in implementing many of the report's key recommendations. I will address three areas: (i) Joint Marketing, Training, and Small Business Initiatives; (ii) Early Project Development; and (iii) Tied and Untied Aid.

Joint Marketing, Training, and Small Business Initiatives

Ex-Im Bank has led an interagency marketing task force consisting of Ex-Im Bank, SBA, DOC, and OPIC. The task force was formed to develop and execute joint marketing strategies to reach U.S. exporters, particularly those small and new exporters that are critical to U.S. job creation.

This group planned, funded, and is now executing three primary tactics: Direct mail, participation in major trade shows, and exporter and lender seminars. We also collaborate with our TPCC partner agencies through the United States Export Assistance Centers throughout the United States, and are working with them to link our new website to the U.S. Government trade portal "Export.gov."

Our marketing objective is straightforward: To establish a direct relationship between the U.S. exporter and U.S. Government trade agencies in a coordinated and cost-effective manner. Our collective efforts are making a difference. By sharing costs, we provide better value to the taxpayer, and by providing a complete menu of our services the exporter is better served. In fact, we estimate approximately $280,000 in savings from these joint marketing efforts since the summer of 2001. Ex-Im Bank is also continuously looking at ways, working with our TPCC partners, to leverage our resources by utilizing the private sector to reach and provide services to U.S. exporters.

We have also implemented a cross-training program for Ex-Im Bank, DOC, SBA, OPIC, and TDA staff. This training is designed to enhance our ability to provide full-service trade finance advisory services to the export community.

Finally, Ex-Im Bank is also working on an initiative with the SBA to collaborate by providing parallel financing and joint marketing for working capital transactions. This effort is designed to provide the small business exporter with a seamless approach to access working capital financing they need to increase export sales.

Early Project Development

The aim of the Early Project Development Initiative is to coordinate more effectively the efforts of the U.S. Government trade agencies to secure contracts for U.S. exporters. To aid early promotion efforts, Ex-Im Bank has created an "early project letter of interest" intended to signal preliminary interest in a project before contracts are signed. In addition, Ex-Im Bank staff actively participates on the early project development country teams that the TPCC established to coordinate travel and promotion activities. Currently the interagency efforts are focused on three markets: Mexico, China, and Russia. We plan to broaden our focus to other target markets at the appropriate time.

- MEXICO: This is Ex-Im Bank's largest market. We are actively working to develop new products for this market and to coordinate promotional activities with other U.S. Government agencies and the Mexican government. Last September, the agencies brought together municipal officials from renewable energy, solid waste

management and water treatment agencies, and U.S. companies in a conference organized by Ex-Im Bank and the Mexican development bank, Banobras. This conference built on the Partnership for Prosperity Initiative created by President Bush and Mexican President Fox. Earlier this month, I participated with my colleagues from OPIC, SBA, and TDA in the Arizona Mexico Trade and Investment seminar in Tucson. We are working with our partner agencies to follow up on leads from these and other conferences.

- CHINA: Numerous opportunities exist for U.S. exporters, including projects associated with the Olympics in 2008 and the World's Fair in 2010, and in key sectors such as: Environmental protection, energy efficiency, wastewater treatment, medical equipment, and electric power. We are working closely with the Commercial Service and TDA to coordinate efforts to identify opportunities for U.S. exporters. In support of these efforts, Ex-Im Bank is in the final stages of negotiations with China's Ministry of Finance on a new Framework Agreement that will govern the provision of future sovereign-based transactions.
- RUSSIA: The Russia early project development team is pursing a number of projects in the telecommunications and transportation sectors. These projects are directly benefiting from enhanced interagency cooperation and advocacy resulting from the early project development initiative. Ex-Im Bank is working with the Commercial Service to plan a working-level trip to Moscow and St. Petersburg in June to follow up on these projects and to meet with Russian Government officials to identify additional opportunities for U.S. exporters.

Tied and Untied Aid

In 2002, the TPCC launched several initiatives to counter foreign aid practices that place U.S. exporters at a competitive disadvantage. I would like to provide a brief update on our progress.

- MIXED-CREDIT INITIATIVE: Under the auspices of the TPCC, Ex-Im Bank, and USAID launched a mixed-credit initiative. Transactions supported by this initiative will combine a USAID grant with standard Ex-Im Bank financing to support developmentally sound, commercially nonviable capital projects in middle-income developing countries. The aim of the program is to leverage the resources of the two agencies and expand the scope and magnitude of U.S. Government-supported capital projects in target countries. Such a partnership would allow the agencies to support U.S. Government development objectives, while expanding business opportunities for U.S. exporters.
- AGREEMENT ON FRONT END ENGINEERING AND DESIGN: As a result of an initiative in the National Export Strategy, the U.S. Government succeeded in securing Japan's agreement to multilateral rules at the OECD that prevent governments from using Tied Aid financing for early project studies for projects subsequently financed with Untied Aid. Ex-Im Bank will help monitor the implementation of this agreement to ensure that foreign markets are effectively opened up to U.S. exports of engineering and design services and capital goods.
- TIED AID WAR CHEST: Ex-Im Bank, in cooperation with the Treasury Department, continues to closely monitor the use of Tied Aid by foreign governments. In 2002, the use of Tied Aid continued to decline, dropping to $2.5 billion worldwide—a record low. When compared to Tied Aid use in 2001, this represents nearly a 40 percent decrease in the use of Tied Aid worldwide. Ex-Im Bank and Treasury have also agreed to new processes and standards governing the use of the Tied Aid Credit Fund that will insure more rapid case processing and improve U.S. exporter competitiveness.

Ex-Im Bank's Potential Role in Iraq Reconstruction

I also want to share with you our current plan of action with respect to supporting U.S. exports to Iraq. Ex-Im Bank has established an internal task force that is working to address the legal and credit concerns that currently impede our ability to offer trade finance programs in Iraq. We are coordinating closely with the other TPCC member agencies—as well as the U.S. exporting community—in this effort.

As you know, we are subject to a number of important programmatic constraints, including a need to find a "reasonable assurance of repayment" for every credit. However, we will bring energy and creativity to the task of helping U.S. companies provide the goods and services that are necessary for the reconstruction of Iraq. For example, we are actively considering mechanisms that would allow Ex-Im Bank to support United States exports to Iraq sooner rather than later, including taking the credit risk of companies and of banks in third countries—such as Turkey, Jordan, and Kuwait—that may be involved in obtaining U.S. goods and services for reconstruction efforts.

Conclusion

In conclusion, I have come before you today to provide an update on the progress that the TPCC and Ex-Im Bank have made in implementing the recommendations contained in the National Export Strategy. I am encouraged by the strides we have made over the past year through the TPCC, which has served as the Bush Administration's primary vehicle to coordinate, streamline, and improve Federal export assistance programs. Continued implementation of the recommendations of the National Export Strategy through the coordinated efforts of the TPCC will help to insure that U.S. exporters have the tools that they need to remain competitive in the dynamic global marketplace. I would like to thank this Committee for its support of the TPCC, Secretary Evans for his leadership, and my TPCC colleagues here today for their commitment to this important effort. I appreciate the opportunity to appear before you and I would be happy to respond to any questions you may have at this time.

PREPARED STATEMENT OF PETER S. WATSON

PRESIDENT AND CHIEF EXECUTIVE OFFICER
OVERSEAS PRIVATE INVESTMENT CORPORATION

MAY 21, 2003

Chairman Shelby, Senator Paul Sarbanes, and distinguished Members of the Committee, it is an honor to appear before you today to discuss our progress in implementing the recommendations of the President's National Export Strategy. As President Bush himself said last year, this report "sets the course for achieving a world class system of Federal programs that are coordinated, leveraged, and focused on the tools small and large companies need most to take advantage of emerging trade opportunities." I believe we have been faithful to the President's promise.

At the outset, please allow me to express OPIC's sincere appreciation for the leadership of Secretary of Commerce Don Evans, whose determined efforts and strategic vision have been key to marshaling the collective resources of our agencies to implement the Trade Promotion Coordinating Committee's (TPCC) worthy mandate.

Mr. Chairman, when I joined OPIC nearly 2 years ago, we set out to implement guidance from the President that would enable OPIC to do a better job of bringing the benefits of economic development to the neediest countries, that would foster increased cooperation with the private market to enhance investment resources, and that would focus on the needs of smaller U.S. businesses to pursue opportunities in the developing world.

Over these past 2 years, we have met this challenge. We have reformed for success, supporting critical developmental investments into chronically underserved regions. For instance, since October 2001, OPIC has supported nearly $750 million in new projects in sub-Saharan Africa. We have created a new relationship with the private market whereby OPIC complements rather than competes with private financing and insurance, and in so doing, leverages resources that allow OPIC to cooperatively lead the private market into the least developed countries and underserved sectors.

We have also made a real commitment to small- and medium-sized businesses. In 2002, 67 percent of approved OPIC projects were for small- and medium-sized enterprises. Last year, we created the OPIC Small Business Center, specifically to meet the needs of companies with revenues of less than $35 million. We have also streamlined our approval process to provide small business users with a 60-day turnaround. As a result, OPIC is making it easier for small business to access OPIC programs and we are approving more small business projects.

To measure the developmental impact of these projects, OPIC has developed specific criteria for evaluating the development contribution of each of its projects. This new tool allows us to judge empirically the value of our commitments, as we make OPIC more relevant to its original development mission.

In sum, we have seen promises made and promises kept.

Similarly, our testimony here today confirms that during the past year, the TPCC has also made and kept promises. OPIC has been privileged to play a role in this process. Allow me to highlight some of these results.

Afghanistan

Over the past year, the TPCC has helped coordinate a comprehensive commercial strategy for rebuilding and revitalizing Afghanistan by harnessing the U.S. private sector. For its part, OPIC is pleased to have conducted the first joint investment

mission to Afghanistan with our colleagues from the Trade and Development Agency (TDA) in May 2002.

We initially pledged a $50 million line of credit for Afghanistan, and I am pleased to report that the agency is fulfilling this pledge. With $35 million in OPIC financing and insurance, a consortium of U.S. sponsors will soon break ground on a five star international hotel in Kabul, managed by Hyatt International. The project will represent the largest single United States private investment in Afghanistan since the fall of the Taliban; indeed, the largest United States investment in a generation if not more. With additional projects in the pipeline, I was confident in raising our line of credit from $50 million to $100 million during President Karzai's recent visit to the United States.

Pakistan

Additionally, OPIC has been active and successful in promoting private investment in Pakistan. As you will remember from last year, OPIC, the Export-Import Bank (Ex-Im) and TDA formed the first investment development mission to Pakistan in February 2002, with OPIC pledging a $300 million line of credit. Since then, OPIC has supported nearly $350 million in projects, including significant investments in financial services, power, and information technology.

Interagency Coordination

These types of initiatives find their genesis in better interagency coordination and OPIC has been working hard with its TPCC colleagues this past year to find innovative ways to leverage our resources and expertise.

In September 2002, I was privileged to conclude a Small Business Initiative with the Small Business Administration (SBA) Administrator Hector Barreto, which will allow for greater cross-training and information sharing for our employees. I am also pleased that we will soon have an SBA detailee as a full-time staff member in OPIC's Small Business Center.

Just last week, I was pleased to join with Maria Cino of the U.S. Department of Commerce Commercial Service to sign a Memorandum of Understanding (MOU) that commits our two organizations to greater cross-training and business lead development.

For the future, OPIC will be working to conclude an MOU with the Agency for International Development (USAID), which will provide greater coordination between our respective guaranty programs and leverage USAID's global presence with OPIC's 31 years of experience in promoting private sector development. All of these cooperative efforts make greater use of existing resources for the benefit of U.S. business and the American taxpayer.

Conferences

Getting the word out to the users of our services is another important part of our enhanced coordination. To that end, I am pleased to mention several outreach efforts. In early May, leaders from Ex-Im, SBA, TDA, and OPIC met in Arizona for a Trade and Investment Forum, targeting smaller businesses.

Last October, OPIC was joined by Ex-Im and TDA for a regional trade and investment conference in Peru that attracted more than 200 companies. In November, 50 companies participated in a U.S. Serbia Business Conference in conjunction with the Department of Commerce. With our TPCC partners, we are planning joint business development missions throughout Russia later this year.

The Future

Looking to the future, OPIC is strongly committed to building on the cooperation and results of the past year. As the Secretary has said, Iraq will clearly be a priority in the coming year. Once we have cleared sanctions and technical operating issues, OPIC is prepared to use its finance, political risk insurance, and investment funds programs to support private sector investment, including liquidity for the financial sector and political risk insurance for businesses and contractors. We are uniquely suited as a risk mitigator to support the private sector in this endeavor.

Conclusion

This year, Congress will have the opportunity to review OPIC and its refocused agenda as it considers reauthorization of OPIC programs. The Administration has submitted a legislative request to Congress to reauthorize OPIC for 4 years and to update its statute by modernizing and improving OPIC to expand development and operate in today's changing global economy. Although not under the jurisdiction of this Committee, we look forward to working with many of you here in securing approval of this legislation before OPIC's current authority expires later this year.

In closing, I would like to thank the Committee for its support of the TPCC. OPIC will stay true to its promise to promote private investment in underserved countries and regions, while complementing the private sector to maximize our developmental impact. With a refocused mission and a track record of results, OPIC is a "partner of the willing" with our colleagues here today to provide the most effective investment promotion services for U.S. businesses and the American taxpayers.

Thank you, and I would be pleased to answer your questions.

PREPARED STATEMENT OF HECTOR V. BARRETO, JR.

ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION

MAY 21, 2003

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

I would first like to recognize the outstanding leadership of Secretary Evans. The SBA has been working closely with the Department of Commerce, Export-Import Bank of the United States (Ex-Im Bank), the Overseas Private Investment Corporation (OPIC), and other TPCC agencies in developing recommendations for the National Export Strategy . . . and we feel that our work, together, will help ensure that American small businesses will be competitive in a global marketplace.

Small businesses create two-thirds of new U.S. jobs, are responsible for much of our economy's innovation, and generate over half of our private gross domestic product. But while approximately two-thirds of U.S. exporters have fewer than 20 employees, fewer than 1 percent of our small businesses are exporting their products.

That percentage is too small, especially when you consider the fact that desire to engage in trade is strong. A survey done by the Department of Commerce to more than 2,000 nonexporting firms last year indicated that 30 percent of them would be interested in exporting if someone pointed the way. In order to meet the needs of small- and medium-sized firms and create a "one-stop-shop" approach, over the past year we have enhanced our working relationships with our partners in such a way that will guide and assist small businesses to have an even greater opportunity to trade abroad.

Before we began to strengthen our relationship with other TPCC agencies, SBA reviewed the 2002 National Export Strategy recommendations and looked at the areas in which change could be made quickly, hopefully having instant results for our small business export community.

I am pleased to announce that SBA was able to increase the limit of our Export Express Business development loan guarantee program from $150,000 to $250,000 . . . an enhancement which quickly created a greater amount of capital for small business to finance their export development costs such as participation in foreign trade shows or translation of product catalogs, as well as the financing actual export orders. Over the past year, SBA and Ex-Im have been very active since we entered into a "Small Business Initiative" Memorandum of Understanding. To leverage marketing resources and raise awareness among lenders and exporters, we have done a number of things.

First, we held joint export symposia throughout the United States, focusing on showing a streamlined approach to exporters. We have also been working on a joint marketing initiative over the past year. Although these are great accomplishments, we are still not done yet. We have established a task force to look at further integrating SBA/Ex-Im Bank working capital programs. Coordination with other Federal agencies is one of the best ways to achieve an increase in small business trade participation.

Another example of interagency coordination is our work with the Overseas Private Investment Corporation. Just recently, SBA participated in a Trade Investment Forum in Arizona that reached out to our small business exporters and introduced them to all the products and services that are available. We see this as just the beginning to this very important partnership and only see it getting stronger. For example, SBA intends to detail one of our employees to OPIC to work with their new small business center.

The ability to work very closely with the Department of Commerce in reaching out to the small business community has been very rewarding and has shown results. I have had the opportunity to participate with Secretary Evans on several

trade missions abroad which focused on opening new market opportunities for small business.

One example of a success story is of a business owner from Chicago, Illinois, who received a significant order for his products as the result of a trade mission that took place in Mexico last year. SBA helped the business owner attend that mission.

Reaching out domestically to the export community has also been a high priority between the SBA and Department of Commerce. For instance, we have successfully participated in major domestic trade shows, trade finance seminars, and direct mail campaigns.

SBA looks forward to continuing its work with other TPCC agencies to make sure the coordination of trade promotion and financing programs meet the needs of our small business exporter's needs. We are fully committed to supporting the President's overall trade agenda abroad as it sets up opportunities for small business.

An example of our commitment is the fact that we currently have representatives from the agency participating within the Central America Free Trade Agreement and the Southern African Customs Union trade capacity building group to make sure small business concerns are addressed and implemented with the trade negotiations. Another sign of our commitment to trade has been the recent assignment of one of my senior staff to work closely with the U.S. Trade Representative office to represent small business on a daily basis and assure that as U.S. Trade increases globally that so due the opportunities to small business that wants to trade abroad.

There has never been a better time to make sure U.S. small businesses continue to be the most competitive companies in the world.

I look forward to SBA's ongoing contribution to the TPCC and our commitment to evaluate and better coordinate our programs. I would be happy to answer any questions you may have. Thank you.

PREPARED STATEMENT OF BARBARA R. BRADFORD

DEPUTY DIRECTOR, U.S. TRADE AND DEVELOPMENT AGENCY

MAY 21, 2003

Thank you, Chairman Shelby, Senator Sarbanes, and Members of the Committee. It is a pleasure to appear before you to highlight the role that the U.S. Trade and Development Agency (USTDA) is playing in advancing the U.S. Government's trade agenda as a member of the Trade Promotion Coordinating Committee (TPCC). I want to begin by thanking the Committee for the strong support that it has given to USTDA in the past as we work to promote commercially viable development around the world.

USTDA works closely with Secretary Evans and other members of the TPCC to enhance our mutual effectiveness in promoting U.S. exports. In particular, USTDA collaborates with our colleagues on the TPCC to bring their particular expertise and resources to a wide range of development objectives. Among the agencies that USTDA coordinates with are the U.S. Departments of State, Treasury, Commerce, Transportation, Energy, Agriculture, and Homeland Security; the Office of the U.S. Trade Representative (USTR); the Export-Import Bank of the United States (Ex-Im Bank); and the Overseas Private Investment Corporation (OPIC). USTDA works in conjunction with other TPCC members, to leverage our resources and focus our joint efforts on projects and activities that will garner U.S. export success.

In addition to our partnerships with other U.S. Government agencies, USTDA works closely with overseas foreign project sponsors to help them fulfill important development objectives. We also receive tremendous support from the U.S. private sector and the many individual firms around the country that we help to position to export their goods, services, and expertise to overseas markets.

During the past year, USTDA has taken a number of steps to implement the action plan laid out in last year's National Export Strategy. In particular, USTDA is active in many of the post-crisis regions of the world that are discussed in this year's report, such as Afghanistan. I have an attachment to my testimony, Mr. Chairman, which I would like to submit for the record that highlights a number of current and recent USTDA activities. As this paper shows, USTDA is targeting and tailoring its activities to support important U.S. trade and foreign policy initiatives.

USTDA is well-suited to respond rapidly to changing global environments as we provide effective service to our clients in the U.S. private sector, in Government, and overseas. Given the flexible nature of the USTDA program, the agency is often one of the first U.S. Government agencies to deliver trade-related assistance in post-crisis regions and countries. In early 2002, for example, USTDA launched an aggres-

sive infrastructure and capacity-building program in Afghanistan. Already, we have committed roughly $2.5 million for project planning activities in the Afghan civil aviation, telecommunications, oil and gas, and electric power sectors. We are considering approximately $3 million in additional activities.

In delivering this assistance, USTDA works closely with other U.S. Government agencies, taking advantage of their expertise. These include the Federal Aviation Administration, the U.S. Geological Survey, the U.S. Agency for International Development (USAID), the Federal Communications Commission, and the U.S. Departments of Energy, Commerce, and State. Our country program in Afghanistan is a perfect example of the agency's rapid response to new priorities and to our use of public-private partnerships to bring U.S. expertise and resources to bear in helping a country achieve its development goals. Next month, USTDA will cosponsor a major conference with the U.S. Department of Commerce. This conference will highlight reconstruction opportunities in Afghanistan that were identified during a series of USTDA-funded definitional missions and orientation visits as having strong potential for U.S. private sector involvement.

We also have moved quickly to build on our existing programs in other Frontline States. Overall, USTDA funded 22 activities in Uzbekistan, Kyrgyzstan, and Kazakhstan in fiscal year 2002. These activities encompass projects in rail, information technology, water, power, and petrochemicals, as well as small- and medium-sized enterprise development. In January 2003, USTDA awarded its first grant since reopening in Pakistan in support of a proposed desalination plant in Karachi. Other USTDA activities in Pakistan involve the development of a secondary mortgage market, and a study funded jointly by USTDA and the International Finance Corporation addressing the identification and elimination of trade and investment barriers.

USTDA anticipates implementing a program in Iraq modeled on the approach we are taking in Afghanistan. There is an important role for USTDA to play in Iraq to put the private sector to work in many sectors essential to development efforts. These areas include transportation, telecommunications, electric power, and downstream petroleum processing, such as refining, petrochemicals, and fertilizer production. These key infrastructure sectors represent areas in which the need will be great for new investment and in which the population will receive direct and tangible benefits. Equally important, the United States private sector possesses experience and expertise in these fields that can help to advance modernization and healthy economic development in Iraq.

Another component of the USTDA portfolio is our support for U.S. trade policy initiatives. To this end, the USTDA is supplying targeted assistance to facilitate a number of U.S. trade policy objectives that are discussed in the National Export Strategy. In Africa, for example, the agency has supported activities pursuant to the African Growth and Opportunity Act (AGOA) framework, including the establishment last year of a USTDA Africa Regional Trade and Development Office in Johannesburg, South Africa. Other related activities that USTDA has funded include AGOA training, provided in conjunction with USTR, in Cameroon, Ghana, and Uganda. In addition, the agency sponsored separate orientation visits to the United States for African manufacturers to meet potential U.S. suppliers to support qualified industries under AGOA. In March, the agency supported the negotiation of a U.S.-Southern African Customs Union (SACU) Free Trade Agreement (FTA) by sponsoring a trade-related study tour for trade negotiators from SACU member countries.

USTDA also is working closely with the USTR and other agencies by providing support to a number of on-going trade negotiations. This support includes technical assistance and capacity-building activities related to the Free Trade Area of the Americas, the U.S.-SACU FTA, and the U.S.-Morocco FTA, among others. We are currently exploring possible areas for support related to the U.S.-Chile FTA. Most recently, USTDA announced trade capacity-building activities in the information technology sector in Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua as part of the U.S.-Central American Free Trade Agreement (CAFTA) negotiations. These are just a few examples of the agency's trade capacity-building activities.

This year's National Export Strategy discusses a number of sectors that are priorities for the TPCC. Many of these are high priorities for USTDA, as well. Among them is transportation security. Overall, transportation was the largest sector in the USTDA portfolio in fiscal year 2002. At last year's meeting of the Asia-Pacific Economic Cooperation (APEC) forum, the Secure Trade in the APEC Region (STAR) Initiative was announced. Since then, USTDA has taken a leading role in identifying and supporting potential transportation security projects. In February, USTDA cosponsored a STAR conference with the U.S. Department of State in Bangkok, Thailand, that was attended by delegations from 21 APEC member economies. Dis-

cussions focused on policies and procedures to enhance security and efficiency in the APEC region's seaports, airports, and other access points. A key point of agreement among all participants was the need for new partnerships between the government and business. USTDA is poised to follow through on this agreement by identifying and helping to develop specific projects for implementation.

Agricultural biotechnology (ag-biotech) issues are another focus of the USTDA program and of the National Export Strategy. Specifically, USTDA is sponsoring a trade capacity-building program for Chinese regulators, government ministries, and scientists designed to minimize administrative and regulatory impediments to international trade in ag-biotech products. The USTDA also funded an orientation visit to the United States to support the Chilean government's efforts to enact new legislation regulating the biotech industry as part of the USTDA's trade capacity-building activities.

The service sector accounted for nearly 10 percent of USTDA activities in fiscal year 2002. As mentioned in the National Export Strategy, last year the USTDA sponsored its first conference highlighting tourism as a development sector. The conference focused on tourism projects in Eurasia and brought together over 200 attendees. Among them were representatives of Eurasian companies and governments; United States and other financing institutions; U.S. companies involved in construction and engineering, hotel supply, transportation, and consulting; and senior U.S. Government officials.

The USTDA combined its focus on services and information technology last fall by cosponsoring a worldwide conference on implementing e-government programs. USTDA jointly sponsored this event with the U.S. Department of State and USAID. This highly successful conference presented a forum for participants to discuss issues of common concern and to establish peer-to-peer networks for further cooperation. The event also provided opportunities for participants to consult with U.S. companies whose products and services could contribute to the development of successful e-government initiatives.

USTDA also maintains active programs in countries targeted in the National Export Strategy for early project development, such as China, Mexico, and Russia. USTDA reopened in China about 2 years ago and our portfolio there has grown rapidly. In 2002, we were involved in 46 projects in China, with a focus on aviation safety, energy, and the environment. Based on the strong commitment by China's many private and public sector sponsors to work with USTDA in a smooth and efficient manner, China was awarded the agency's 2002 Country of the Year honor. Currently, USTDA is considering sponsoring a conference on project financing in China designed to help project sponsors find the right financing mechanism to implement important development objectives.

In Mexico, USTDA has funded several activities supporting the Partnership for Prosperity, which Presidents Bush and Fox initiated 2 years ago. Among them are master grant agreements that were signed last year with two Mexican development banks. These master grant agreements provide a framework, which will enable the banks to contract with U.S. firms to carry out studies related to their respective technical assistance programs.

USTDA maintains an active program in Russia. Many U.S. firms continue to see good market opportunities in that country. USTDA is working closely with our TPCC colleagues to better coordinate our activities and to leverage our resources to maximize our support for U.S. firms pursuing business opportunities in Russia.

The USTDA also has implemented strong programs in other parts of the world, including Central and Eastern Europe. USTDA activities in this region focus on environmental investments that can be financed on commercial terms, particularly in the waste-to-energy and renewable energy sectors. In December 2002, USTDA sponsored a major conference on this subject to highlight projects that represent significant export potential for U.S. firms.

The USTDA portfolio demonstrates that our agency is one that seeks out new challenges. We are also results oriented. To date, our combined efforts with other Federal agencies and with the U.S. private sector have produced numerous success stories around the world. Overall, 30 percent of U.S. exports associated with USTDA-funded activities have received Ex-Im Bank loans and guarantees.

Some country-specific examples of our work with other agencies include Vietnam, where our efforts and those of other agencies, led to a large procurement of GE aircraft engines. In Morocco, we coordinated our activities with the U.S. Commercial Service to support a U.S. firm that successfully competed to construct and operate the Fes Controlled Landfill. In Brazil, USTDA sponsored an orientation visit to the United States for private rail concessionaires after the U.S. Commercial Service identified opportunities for the sale of U.S. rail maintenance equipment. In Georgia, a USTDA-funded feasibility study led to an Ex-Im Bank loan for an air traffic con-

trol system supplied by Northrop Grumman. In Russia, USTDA-funded studies on refinery upgrades have led to hundreds of millions of dollars in United States sales.

USTDA also participates in a number of events throughout the year designed to inform the private sector about the agency's program. As mentioned in the National Export Strategy, USTDA participated in an OPIC conference last year on Andean Regional Trade and Investment. Earlier this spring, the USTDA participated in the Ex-Im Bank's Annual Conference, as well as the Arizona-Mexico Trade and Investment Conference that was sponsored by OPIC.

In addition, USTDA has a strong record of supporting smaller businesses interested in expanding their international portfolio. Building on this record, the USTDA sponsored a one-day contract opportunities seminar this spring for representatives of small- and medium-sized businesses interested in exploring opportunities to increase their exports to overseas markets. The program focused on how to take advantage of contracting opportunities with the USTDA and showcased the types of assistance available through the Federal Government to help U.S. businesses compete successfully in the international arena. The seminar included participation from the U.S. Small Business Administration, the U.S. Commercial Service, Ex-Im Bank, and OPIC. The Honorable Hector Barreto, Administrator of the U.S. Small Business Administration, was the keynote speaker for the day's events.

USTDA also participated in the pilot interagency training course that is discussed in the National Export Strategy. This event, which was held in January 2003, was a good initial exercise in bringing together TPCC member agencies and highlighted our respective roles in promoting U.S. exports. Based on the success of this event, USTDA looks forward to hosting the next training session in the Business Center at our headquarters next month.

As we look to the future, USTDA anticipates continued high demand for its programs. Developing countries are reaching out to learn from the world's best practices as they seek to implement policies and projects that promote economic growth and sustainable development. USTDA is responding to this initiative by connecting overseas project sponsors with U.S. firms that have the commercially tested expertise and technology necessary to achieve important development objectives.

The circumstances of our time require agencies to restructure themselves to respond to new priorities as they emerge. The members of the TPCC are at the forefront of this endeavor. USTDA looks forward to continuing to work with other TPCC members as we jointly support U.S. companies in their efforts to increase their involvement in challenging foreign markets.

Thank you again for this opportunity to testify. The USTDA looks forward to continuing to work with the Committee and with our colleagues on the TPCC in advancing our dual trade and development mission. I would be happy to answer any questions.

* * *

Activity in Post-Crisis Regions

Afghanistan Reconstruction

- In Afghanistan, USTDA has undertaken a series of activities, primarily targeting those sectors in which the U.S. private sector can make a significant contribution to the reconstruction effort. In delivering this assistance, USTDA works closely with other USG agencies, taking advantage of their expertise. These include the FAA, U.S. Geological Survey, USAID, FCC, and the U.S. Departments of Energy, Commerce, and State.
- Since opening USTDA's program in Afghanistan in early 2002, the agency has committed roughly $2.5 million for a series of activities in the civil aviation, telecommunications, oil and gas, electric power, and other sectors.
- USTDA is considering roughly $3 million in additional support activities; including a study on the establishment of an American University in Afghanistan, training and studies related to civil aviation, and an oil and gas resource assessment.
- USTDA and the U.S. Department of Commerce are sponsoring a conference in Chicago in June 2003, to present and discuss the rebuilding of Afghanistan's infrastructure. The sectors to be presented include: Power and energy; water and sanitation; transportation; buildings; gas and oil pipelines; construction; health care; and tourism. Twenty-five Afghan delegates, including senior Ministers and representatives from international financial institutions, will attend the conference. Many of the infrastructure projects to be discussed are the result of a series of Definitional Missions and Orientation Visits that USTDA has sponsored.

Frontline States in Central Asia

- In Pakistan, USTDA provided a grant to the Karachi Port Trust to support a proposed 25 million gallons per day desalination plant project. Karachi is experiencing a dire potable water shortage and this project would result in a significant increase in the supply of potable water to this rapidly growing city of 12 million inhabitants.
- In Kyrgyzstan, USTDA supported an e-government project, which will help the government deliver government services more efficiently and effectively.
- In Kazakhstan, USTDA sponsored both a feasibility study on potential aviation projects and an orientation visit that brought Kazakh aviation officials to the United States. The resulting meetings provided follow-on contracts for U.S. companies eager to do business in Kazakhstan, and have laid the foundation for future projects in this sector.
- USTDA had a substantial program in Uzbekistan in fiscal year 2002, including projects in rail, information technology, water, power, and petrochemicals, as well as small- and medium-sized enterprise development.

Transportation Security and Safety Initiatives

- Following the APEC Leaders' announcement in Los Cabos, Mexico of the Secure Trade in the APEC Region (STAR) Initiative in 2002, USTDA has taken a leading role in identifying and supporting potential transportation security projects.
- In February 2003, USTDA sponsored a STAR conference in Bangkok, Thailand. Twenty-one of the APEC member states sent delegations that included officials responsible for the security oversight of transportation, trade, customs, and related functions. Private sector representatives attended as well. Discussions focused on policies and procedures to enhance security and efficiency in the APEC region's seaports, airports, and other access points. A key point of agreement among all participants was the need for new partnerships between government and business to support security initiatives.
- USTDA has been active for many years in supporting the transportation projects, and has increased its emphasis on transportation security-related activities. For example, in 2002, USTDA sponsored 114 transportation activities totaling $17.2 million.
- USTDA's Africa and the Middle East region is spearheading many of the agency's regional and interagency transportation security projects previously discussed, including the Middle East Regional GPS/GNSS project, the East Africa Regional GPS/GNSS project, and the Deepwater Systems for Southern Africa.
- A Definitional Mission will visit Bulgaria and Romania in April 2003, to support aviation security strategic planning.

Participation in the Administration's Trade Agenda

- In the area of trade capacity building, USTDA is working closely with the U.S. Trade Representative (USTR) and other agencies to provide key support for technical assistance activities related to the regional Free Trade Agreement (FTA) with the Southern Africa Customs Union (SACU), and the negotiation of the U.S.-Morocco FTA. This included funding for a workshop for SACU lead negotiators.
- USTDA is supporting capacity-building efforts related to the negotiation of a U.S.-Central American Free Trade Agreement (CAFTA). Most prominently, USTDA is supporting several trade-related information technology (IT) priority projects in Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.
- USTDA has funded several activities in support of the Partnership for Prosperity with Mexico. In 2002, USTDA signed master grant agreements with two Mexican development banks, Nacional Financiera (NAFIN) and Banco Nacional de Servicios y Obras Publicas (BANOBRAS), that will enable the banks to contract with U.S. firms to carry out studies related to their respective technical assistance programs.
- USTDA is funding technical assistance for NAFIN to strengthen the venture capital industry in Mexico. The technical assistance will result in recommendations that will provide the necessary framework for the Mexican government to move forward with legislative and policy measures.
- USTDA's Europe region maintains a strong focus on the environment. In December 2002, USTDA sponsored a conference focusing on waste-to-energy and renewable energy projects in Central and Eastern Europe. USTDA has continued to pursue specific projects in this sector and recently signed grant agreements supporting a wind energy project in Hungary and a biomass to energy co-generation power plant project in the Czech Republic.

- As Romania begins a massive energy privatization and investment program, USTDA is planning to bring a delegation of Romanian energy officials to the United States to help ensure the Romanians look to American companies as their first source of potential partners.
- USTDA is further developing its China program, with emphasis on transportation, particularly aviation safety, clean energy, and environmental sectors. Training programs for aviation safety, natural gas, and agricultural biotechnology initiatives are underway. A customs modernization project, that is an expansion of the Shanghai Model Port Project, is in the immediate pipeline.
- USTDA efforts in Southeast Asia will concentrate on furthering efforts to upgrade regional transportation security infrastructure, as well as improving environmental conditions and the efficiency of national and regional utilities.

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

Q.1. Mr. Barreto, I understand your budgets of SBA have been cut by Congress and the Administration. How will these cuts impact your TPCC work?

A.1. The Administration requested $3.1 million in fiscal years 2003 and 2004 for the U.S. Export Assistance Centers (USEAC's). The Fiscal Year 2003 Omnibus Appropriations Act did not provide funding for the USEAC's.

We have worked very closely with the Department of Commerce on this very critical function, and we plan to continue to do that. There should not be any decrease in SBA's participation with the TPCC or export assistance in general. The USEAC's are still operating, with the assistance of our TPCC partners, and small businesses will still receive the assistance and training that they need.

The SBA is working with The Trade Promotion Coordinating Committee and Ex-Im Bank in not only creating better harmonized marketing programs while also harmonizing Ex-Im and the SBA's Export Working Capital Programs.

Report to the United States Congress

The 2003 National Export Strategy

The Administration's Trade Promotion Agenda
Unlocking America's Potential

Trade Promotion Coordinating Committee
Donald L. Evans, Chairman

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April 2003

The Trade Promotion Coordinating Committee (TPCC) is an interagency group chaired by the U.S. Secretary of Commerce. The Export Enhancement Act of 1992 established the TPCC to provide a unifying framework to coordinate the export promotion and financing activities of the U.S. Government, as well as to develop a comprehensive, strategic plan for implementing such programs.

For more information about the TPCC, contact: Trade Promotion Coordinating Committee, Room 3051, U.S. Department of Commerce, Washington, DC 20230; phone (202) 482-5455.

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Letter from Secretary Evans

Dear Mr. President and Mr. Speaker:

As Chairman of the Trade Promotion Coordinating Committee (TPCC), it is my privilege to report on the status of the 2002 National Export Strategy. I am proud to report that over the past year, TPCC agencies have made tremendous progress implementing the recommendations presented by the TPCC in May 2002. These recommendations arise from a greater awareness of exporters' needs, which we gained from a national survey and a series of focus groups last year. We found that while we have many of the right programs and people in place, both large and small companies need the government to function more like a strategic partner, given today's fiercely competitive international environment. In particular, we need:

- a more proactive and coordinated approach—vis-à-vis foreign competition to project development;
- a leap forward in customer service, including a culture of account management and better collaboration among agencies; and
- an expanded outreach effort that fully integrates the marketing strategies of agencies and works more closely with partners in local government and the private sector.

The 2003 report is devoted to the status of the recommendations presented in our 2002 report. In keeping with the President's Management Agenda, we are committed to implementation and results and to using the TPCC as an instrument of continuous management improvement. As federal agencies, we are accountable to the taxpayer. Effective coordination of federal programs is needed to leverage scarce resources. As providers of trade promotion services, we are accountable to our customers, U.S. businesses. And we recognize our training and outreach services must keep pace with a rapidly changing business environment.

To date, about a third of last year's recommendations have been fully implemented. For most of the remaining recommendations, a solution is either imminent or in the making. In the coming year, our goal is to push as many of these initiatives as possible to closure and to begin seeing measurable results. In some cases, the right solution requires a longer-term approach.

2002 Report

In May 2002, the Bush Administration issued its first National Export Strategy report to serve as a road map for the TPCC. As stated by President Bush, this report "sets the course for achieving a world-class system of federal programs that are coordinated, leveraged, and focused on the tools small and large U.S. companies need most to take advantage of emerging trade opportunities."

The 2002 report can be viewed at *www.trade.gov/media/publications/blurbs/nes2002blurb.html*. Hard copies are available from the TPCC Secretariat, phone (202) 482-5455.

Highlights of our major accomplishments include:

- The Japanese Government agreed to a U.S. proposal in the Organization for Economic Cooperation and Development (OECD) requiring that front-end engineering and design (FEED) studies be untied when associated with an untied aid project. U.S. consensus building in the OECD, and the TPCC's recommendation that the U.S. Trade and Development Agency (USTDA) pursue a FEED studies program for the United States, together produced this result.

- The U.S. Small Business Administration (SBA) increased the limit of its Export*Express* business development loan guarantee program from $125,000 to $250,000.

- The Export-Import Bank of the United States (Ex-Im Bank), SBA, the U.S. Commerce Department's Census Bureau and International Trade Administration, and the U.S. Department of Agriculture established a joint marketing task force that now meets regularly to coordinate literature and pavilions at major domestic trade shows, trade financing seminars, and direct mail campaigns.

- The Overseas Private Investment Corporation completed cooperative agreements with both SBA and the U.S. Commerce Department's Commercial Service, enabling these agencies to develop leads and training jointly, as well as share resources on transactions.

Over the coming year, our top priorities will be:

- **Coordination in post-crisis regions.** TPCC agencies' programs are an important tool in the Administration's reconstruction efforts in Iraq and in helping strengthen the economies of our coalition partners in Central and Eastern Europe. Agencies are working in a coordinated and quick fashion to involve the U.S.

business community in efforts to stimulate private sector growth. Such efforts may include financing U.S. investment and exports, hosting conferences, engaging in project preparation work, and providing matchmaking services.

> **"Securing open access to markets abroad is vital to the strength and continued growth of the U.S. economy."**
> ***— President George W. Bush***

- Integration of SBA/Ex-Im Bank **working capital programs**. The U.S. Commerce Department, Ex-Im Bank, and SBA will explore options to rationalize resources dedicated to small-business trade finance, including marketing efforts and parallel financing.

- **Early project development** teams in key markets have identified projects and pioneered new ways to market the availability of trade financing. As with training, we continue to find ways to work together more effectively.

- Over the last year, agencies have developed a set of procedures for the U.S. Government's first **mixed credit** pilot program, combining U.S. Agency for International Development grants and Ex-Im Bank financing. The program will be launched formally in April 2003 with instructions to U.S. foreign posts. Over the next year, we will educate posts on how to use the program.

- TPCC agencies can play a significant role in the vital area of **transportation security**. While many of the TPCC agencies are not in the forefront of national defense, the TPCC will develop a major export promotion initiative to assist our international alliance partners in the worldwide war on terrorism, while at the same time supporting our defense goals and increasing U.S. exports. Activities will focus on matching U.S. private sector capabilities with international security needs.

- Creation of an **interagency training program**. This has been perhaps our single most important undertaking. In January 2003, we conducted the first interagency trade specialist seminar to train our field staff to view federal trade promotion as a team approach focused on customer account management. TPCC agencies were extremely receptive to this approach, with nine agencies represented by the participants. Achieving the desired culture shift requires that we extend this training to all field staff and that agencies make a long-term commitment of resources.

With the United States asserting its leadership role in global trade through the

negotiation of new multilateral and bilateral trade agreements, we must deliver accessible and effective services so that U.S. businesses can take full advantage of market openings. This is as important for small and medium-sized firms that are committed to expanding their sales to overseas markets as it is for large U.S. firms that view the entire world as their marketplace.

The Bush Administration is moving ahead on a number of fronts, under the trade promotion authority of the Trade Act of 2002, to create export opportunities for U.S. businesses. Free trade agreements (FTAs) with Chile and Singapore have been negotiated, and final texts are being developed. We are moving forward in FTA negotiations with Morocco and five Central American countries, and we are about to start FTA talks with Australia and the Southern African Customs Union. Negotiation of the Free Trade Area of the Americas has entered a new phase now that countries throughout the Western Hemisphere have made specific offers to cut tariffs and remove trade barriers. And the United States is taking the lead within the current Doha Development Agenda talks in the World Trade Organization to push for broad market access in agriculture, industrial products, and services.

As new markets are opened, exports remain one of the best hopes for raising standards of living and returning healthy growth to the U.S. economy. Workers in jobs supported by merchandise exports receive wages that are 13 to 18 percent higher than the national average. U.S. exports of goods and services support at least 12 million domestic jobs, with one in five manufacturing jobs tied to exports. For agriculture, exports are even more important, as 25 percent of all sales are to foreign markets.

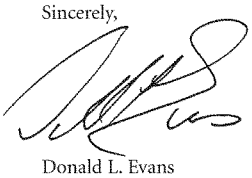
In the current economic environment, it is more important than ever to ensure that the federal programs designed to help U.S. firms develop and compete successfully in overseas markets are as effective and strategically deployed as possible. While a great many factors—such as exchange rates and global economic growth—drive overall demand for U.S. exports, there are several areas in which federal trade promotion can make a significant impact. One such area is improving small-business access to information and finance. From 1992 to 2000, the number of small and medium-sized firms (that is, firms with fewer than 500 employees) exporting goods soared from 108,000 to 239,000. Many of these firms are what we call "robust" exporters: ready, willing, and able to move into even the most difficult markets. At the same time, fully two-thirds of small and medium-sized firms that export sell to only one foreign market, indicating that the small-business sector has vast, unrealized export potential. Looking at the broader business community, our survey of more than 2,000 non-exporting firms last year indicated that 30 percent of them would be interested in exporting if someone pointed the way.

In addition to reporting on the progress of the 2002 recommendations, we have included

a short discussion of planned TPCC activities that will support President Bush's trade agenda. The TPCC has a valuable role to play at the intersection of trade promotion, trade policy, and developmental policy, as trade and investment become ever more important to the developmental aspirations of countries around the world. Over the coming year, the TPCC agencies will complement the Administration's trade capacity-building efforts in emerging markets. We will target commercial infrastructure (such as ports, inland shipping, and telecommunications) that these countries need to become stronger and more productive trade partners, as well as help them develop their small businesses and link them to the international economy. We will focus on countries and regions, such as Central America, already in the process of negotiating free trade pacts with the United States. We will also promote the development of Russia's business climate, drawing attention to examples of successful business environments throughout Russia that point the way to making that country a more welcoming destination for U.S. companies.

Due to ongoing bipartisan support, the TPCC continues to evolve as a mechanism for ensuring a coordinated and strategic approach to exporter needs and Administration priorities. Fulfillment of the TPCC's mandate is a priority of this Administration. The TPCC leadership is committed to giving the TPCC the support it needs to succeed.

Sincerely,



Donald L. Evans
Secretary of Commerce and Chairman of the TPCC

Status of 2002 Recommendations

Strategic Approach to Project Development

For a long time we have known that many foreign governments give their exporters high levels of support and use various tactics to give their firms advantages in the global marketplace. However, focus groups last year gave us a better understanding of what our exporters are up against. Leveling the playing field in today's global marketplace requires a partnership between government and industry throughout the life cycles of projects.

Early Project Development

The goal of the TPCC early project development initiative is to ensure that U.S. exporters enjoy the same level of strategic government support as their foreign competitors in the early planning stage of public projects. Exporters tell us that this is the stage in which they lose out not only due to government practices we oppose (see tied aid and market windows discussion below), but also to government practices that simply demonstrate a higher degree of coordination and strategic thinking.

Over the last year, the TPCC agencies have focused on piloting new ways of organizing and deploying their unique strengths. Ex-Im Bank has approved a model "early letter of interest" intended to signal preliminary interest in a project before procurement takes place. The letter will strengthen efforts by U.S. Commercial Service (CS) officers in the field to advocate for U.S. exporters and extend the same customer service offered by competing export credit agencies. To provide earlier coordination of financing and advocacy, Ex-Im Bank and the U.S. Commerce Department's Advocacy Center have signed a memorandum of understanding. The Advocacy Center has also begun working closely with the Office of the U.S. Commercial Liaison to the World Bank to identify promising early project leads.

Initially, we have narrowed our focus to three key countries: China, Mexico, and Russia. We plan to broaden our focus to other target countries at the appropriate time. While each market calls for a special approach, our goal is to develop new tools and protocols for cooperation that could be used in any market or sector.

China: U.S. companies in China face both an overwhelming number of opportunities and an intensely competitive environment. Rather than trying—and likely failing—to tackle all of these opportunities and competitive challenges at once, the U.S. Commerce Department, USTDA, and Ex-Im Bank identified priority projects and sectors in which the competitiveness of U.S. goods and services stands out. These include the Beijing Olympics in 2008; the World's Fair in 2010; and the medical equipment, environmental protection, wastewater treatment, renewable energy, electric power, and aviation sectors. To help expedite the processing of sovereign risk transactions, Ex-Im Bank and the Chinese Ministry of Finance are pursuing a "framework agreement." The agreement will facilitate the processing of non-sovereign transactions, which are an increasingly important focus of TPCC business development efforts. Meanwhile, the Overseas Private Investment Corporation (OPIC) remains closed in China. Over the course of the next several months, a number of TPCC agencies' senior officials will travel to China, promoting U.S. participation in major upcoming procurements.

Mexico: Mexico probably offers more immediate potential than any other market for piloting new approaches to early project development, given its proximity to the United States and openness to U.S. exports. Ex-Im Bank is working with Nacional Financiera S.N.A. (NAFIN), the development bank of Mexico, on a joint marketing and financing initiative. As a component of the Partnership for Prosperity, the initiative will enhance the ability of both institutions to reach out to small and medium-sized businesses in Mexico and the United States to encourage trade. USTDA has entered into master grant agreements with both NAFIN and Banco Nacional de Obras y Servicios Publicos, S.N.C. (BANOBRAS), Mexico's national infrastructure development bank. The agreements facilitate USTDA funding for technical assistance and other studies and will encourage the early involvement of U.S. companies in projects related to BANOBRAS and NAFIN financing operations for infrastructure projects and small and medium-sized businesses in Mexico.

In September of last year, TPCC agencies successfully pooled their efforts to support a major business conference, which was hosted by Ex-Im Bank and BANOBRAS. The chief innovation was bringing bankers together with 100 municipal buyers and 200 potential U.S. sellers to identify projects eligible for special Ex-Im Bank–BANOBRAS joint financing. The result to date has been 84 eligible projects in 34 Mexican states and municipalities. More importantly, we are actively following up with U.S. participants, closing the loop on project development and advocacy. As a direct result of the conference, Ex-Im Bank is currently evaluating a wind turbine transaction. By highlighting other eligible projects at the American Water Works Conference and Exhibition this June in California, we hope to help generate many more projects for American companies.

Russia: The TPCC agencies believe that Russia is a strategic market for U.S. companies, and that it offers tremendous potential for long-term growth. Although recent gains have

been posted in key industrial sectors, Russia continues to have enormous physical and technological infrastructure needs. Ex-Im Bank has identified several high-profile projects in airport development (in cooperation with USTDA) and telecommunications. Ex-Im Bank is also establishing a working relationship with the Russian Ministry of Transportation. OPIC has more than $250 million in active projects in Russia, with additional infrastructure projects in the pipeline. USTDA continues to market its program in Russia, and it is involved in a number of projects with small and medium-sized U.S. companies. USTDA is also pursuing new technical assistance activities with broad scope, particularly in electric power and telecommunications sectors.

Ex-Im Bank, OPIC, USTDA, and the U.S. Commerce Department are planning joint business development missions throughout Russia in the spring of 2003. The objective of these missions will be to identify enough opportunities by autumn to conduct a major business development conference, based on the Mexico model, which would bring U.S. companies to Russia to meet potential facilitators and partners at every level of government. In addition, the Russian-American Pacific Partnership, a bilateral working group, will sponsor an investment conference on Sakhalin in July 2003, to highlight major oil and gas projects on Sakhalin, as well as investment opportunities in the Russian Far East.

Tied and Untied Aid

Mixed credit facility: A TPCC working group has launched a pilot mixed credit facility—combining U.S. Agency for International Development (USAID) grants with Ex-Im Bank standard financing. This initiative advances the U.S. Government's developmental agenda and addresses U.S. exporters' demands for a U.S. Government response to foreign governments using mixed credits as financing vehicles for development-related capital projects. With the planned transmission in April of a worldwide instructions cable, USAID missions in middle-income countries where Ex-Im Bank coverage is available may begin evaluating developmentally sound capital projects to determine if they qualify for a mixed credit. These facilities should allow missions to leverage scarce grant resources and expand the number of development projects in which U.S. exporters and businesses participate. The working group is now developing detailed procedures for evaluating transactions and educating USAID missions. If successful, this initiative would represent the TPCC's most significant effort to unite the developmental and export promotion objectives of the TPCC member agencies. Agencies have committed to piloting this approach for two years.

Pilot FEED studies: In late 2002, the United States succeeded in getting Japanese agreement within the OECD to end its longtime policy of offering tied aid for design, engineering, and procurement-related technical services for capital goods procurement for projects subsequently financed with untied aid. This is a major breakthrough. The United States and 12 other OECD Development Assistance Committee (DAC) members

had pressed unsuccessfully during three years (1998–2001) of DAC negotiations for a more limited Japanese FEED study policy change in the course of untying aid to capital projects just in least developed countries (LLDCs). The current agreement, which also applies to less developed countries (LDCs), should help open markets for U.S. exports of design and engineering services and capital goods that were valued at $57 billion in the 1995–2001 period. The next step is for the United States and other OECD members to develop language to implement this agreement. U.S. engineering and design firms will be critical in determining the most effective way to preempt problems that could arise.

Use of the Tied Aid Credit Fund: Last year's report cited U.S. industry concern over competitor countries' use of aid financing to win major projects and capital goods procurements in developing countries. Of particular concern to the U.S. Government has been Japanese use of untied aid that is *de facto* tied. While the volume of Japanese untied aid has generally been declining over the past few years, the need for untied aid disciplines remains. In fact, untied aid is being offered by other OECD governments on a more frequent basis, confirming the need for disciplines and also undermining U.S. efforts to reach a consensus at the OECD to agree to extending the tied aid disciplines to untied aid. While the United States continues to press for comprehensive disciplines, it will also—as an interim measure—propose formal transparency requirements to better inform exporters and be able to evaluate procurement outcomes.

While Ex-Im Bank maintains a tied aid credit fund to ensure that U.S. exporters have access to competitive financing in response to trade distorting foreign tied aid offers, perceived interagency bureaucratic and procedural hurdles may have limited U.S. exporter interest in submitting requests for tied aid support in 2002. As a means of addressing the transaction processing issues and pursuant to congressional requirements in Ex-Im Bank's 2002 Reauthorization Act, Ex-Im Bank and the U.S. Department of the Treasury transmitted to Congress, in December 2002, the set of principles, processes, and standards governing Tied Aid Credit Fund use that were revised in July 2001.

These new guidelines specify that primary uses for the Tied Aid Credit Fund include countering such actions as *de facto* tied aid (so-called untied aid) and defending U.S. exporters from examples or patterns of use that effectively (whether intentional or not) pose a threat to long-run U.S. market share/access in emerging markets. The idea is to respond to reasonable evidence of tied aid use that may create long-run trade advantage for foreign exporters. The guidelines describe what constitutes reasonable evidence required of applicants, and also describe the process in detail, including maximum periods for agency action to ensure responsiveness to U.S. exporters. In 2002, Ex-Im Bank approved one new tied aid project. For more information on tied aid, please access the following Web site: *www.exim.gov/tiedaid.html.*

Market Windows

Noting that market window[1] institutions, such as Export Development Canada (EDC) and Germany's Kreditanstalt für Wiederaufbau (KfW), may have a major impact on the competitiveness and sourcing decisions of U.S. companies, the 2002 TPCC report recommended commissioning a detailed study of the nature and volume of market window trade financing. To carry out this recommendation, Ex-Im Bank and the U.S. Department of Commerce contracted two academics from the Massachusetts Institute of Technology to design and conduct such a study. The study's final report will draw on extensive interviews with exporters, banks, and officials from EDC and KfW to shed light on the impact of market window financing on U.S. exports. The report is expected by the end of April 2003.

Coordination in Post-Crisis Regions

Last year's report addressed the need for the TPCC to serve as a coordinating entity for the development of appropriate commercial strategies in post-crisis situations, when tasked by the Administration.

Afghanistan: Over the past year, the TPCC has helped coordinate a comprehensive commercial strategy for Afghanistan. We are capitalizing on every available opportunity to coordinate interagency reconstruction activities and facilitate public-private cooperation. Only by involving the private sector as a partner can we bring to Afghanistan the economic vitality it will need to rebuild.

OPIC and USTDA conducted the first joint investment mission to Afghanistan in May 2002. Since then, USTDA has funded orientation visits and feasibility studies for a number of Afghan infrastructure ministries. The U.S. Department of Commerce has meanwhile hosted Afghan-American business roundtables and matchmaking events. The Commerce Department also maintains a Web site (*www.export.gov/afghanistan*) as a one-stop shop for U.S. businesses interested in Afghanistan.

The U.S. Department of Agriculture (USDA) donated approximately $40 million worth of food aid to Afghanistan during 2002 to support programs focused on education, infrastructure repair, agricultural recovery, and health and nutrition. Many of the programs emphasize the expansion of employment opportunities (especially for women) and increasing access to basic education. OPIC has provided political risk insurance that will enable a U.S. manufacturer to donate the necessary equipment to construct three schools.

1. A "market window" is a government-owned or directed institution that claims to operate on a commercial basis while benefiting either directly or indirectly from some level of government support.

Pakistan

OPIC has been active and successful in promoting investment in Pakistan. In February 2002, OPIC, Ex-Im Bank, and USTDA joined to form the first investment development mission from the United States after the terrorist attacks of Sept. 11, 2001. In the past year, OPIC has supported nearly $350 million in projects in Pakistan, including significant projects in financial services, information technology, and power. The commitments by OPIC fulfilled and exceeded OPIC's 2001 pledge of a $300 million line of credit to promote U.S. investment in Pakistan.

Early this year, USTDA provided a grant to the Karachi Port Trust in support of a proposed 25 million gallon per day desalination plant project. Karachi is experiencing a dire potable water shortage and this project would result in a significant increase in the supply of potable water to this rapidly growing city of 12 million inhabitants.

Ex-Im Bank also has been active in Pakistan. In February 2002, Ex-Im Bank authorized a $125-million, short-term letter of credit program for Pakistan. Under the program, Ex-Im Bank insures letters of credit issued by several Pakistan banks to support the export from the United States of consumer goods, spare parts, raw materials, and bulk agricultural products. In February 2003, Ex-Im Bank authorized a loan guarantee to support the sale of three Boeing 777 commercial jet aircraft and spare parts to Pakistan International Airlines.

In the coming year, agencies will intensify their efforts on all fronts. USTDA and the U.S. Department of Commerce are sponsoring a major trade and investment conference in June in Chicago. In March 2003, OPIC signed a memorandum of understanding with the Afghan Government and U.S. sponsors to provide $35 million in finance and insurance for the construction of a five-star international hotel in Kabul, managed by Hyatt International. Additional projects are in the pipeline. Given its success thus far, OPIC has agreed to raise its available line of credit for Afghanistan from $50 million to at least $100 million.

Better Customer Service

The 2002 National Export Strategy called for agencies to respond to businesses' need for better, more coordinated client service from federal trade promotion agencies. Both large and small companies expressed a desire to work with agency personnel who could take a holistic approach to their international trade plans and guide them through the maze of programs and services available. At the core of several recommendations in the 2002 report were actions aimed at developing account management skills and work tools to facilitate a more collaborative approach to client service. Several agencies have now combined forces to address these recommendations by crafting training and technology solutions. While major progress has been made in initiating these programs, it is clear that sustained commitment will be required to ensure that all of the agency personnel

who directly interact with companies will have access to these programs.

Training

A key area of collaboration has been the development of an interagency training program designed to impart client management skills and broader knowledge of the programs and resources that are available to assist U.S. firms in the international marketplace. The pilot training course was delivered in January 2003, with participants from nine different TPCC agencies including Ex-Im Bank, SBA, OPIC, USTDA, USAID, and the Departments of Agriculture, Commerce, State, and Transportation. Representatives from private industry and government agencies delivered presentations designed to fulfill the course objectives of "training experienced international trade officers on the full range of export promotion programs and services offered by TPCC agencies." The training focused on the real-world application of these programs and services to drive successful export marketing campaigns for American companies, especially small and medium-sized enterprises (SMEs). Feedback from training program participants included:

> "I think this training really helps everyone recognize that we are all a team with the same goal—serve the business."

> "I definitely think that the training should move forward. It is invaluable to get together with our colleagues in other agencies."

The goal is to expose most of the field staff to interagency training to facilitate collaboration and problem solving for clients. Feedback from the pilot program will be used to modify the format and content of the course so that it can be offered on an ongoing basis. In addition, interagency job details are being used to supplement the classroom-style training.

Client Relationship Management

U.S. exporters have complained that they are required to provide information to a variety of Government agencies for several different purposes, ranging from the Shipper's Export Declaration with U.S. Customs Service to an application for Gold Key Service with the CS.

The TPCC has responded by developing the One-Stop, One-Form database, which was successfully launched in December 2002 by the U.S. Commerce Department's International Trade Administration (ITA) and USDA (more than 5,000 companies are already registered). The database allows small business exporters to register at *www.export.gov* to receive information on U.S. Government export programs and

services, and reduce the amount of time required to fill out forms. Information from common data fields (name, address, business, etc.) is passed electronically to participating agencies and used to populate their forms and create customer profiles. We are now continuing our efforts to connect Ex-Im Bank and the U.S. Commerce Department's Bureau of Industry and Security (BIS), and Census Bureau. Plans call for bringing other U.S. Government partners on board over the coming months. In addition, this registration process may eventually form the basis for the development of an interagency client management system.

More Accessible and Effective Trade Finance

Making it easier for small businesses to obtain working capital and trade finance has long been a desire of exporters. This has become especially important as many international markets are growing slowly and the level of competition is increasing. To make it easier for small business exporters to understand and obtain appropriate federal financial support, SBA and Ex-Im Bank have been working to develop unified solutions as to how the agencies can integrate their export working capital loan programs. Both agencies are working on an agreement that will enable them to provide parallel financing for working capital transactions.

Ex-Im Bank recently instituted major organizational changes to enable it to become more market-focused and customer-driven while enhancing risk management. As part of the new organizational structure, three divisions were created: a unified Export Finance Group (devoted to account management and supervising transaction relationships across all Ex-Im Bank financing products), an independent Credit and Risk Management Group (to provide consistent credit standards and oversight), and a Communications Group (encompassing existing public affairs and marketing functions). The changes are designed to streamline case processing and standardize customer service and credit evaluation across all product lines. Small businesses in particular will benefit from this increased consistency and ease of access.

Services Sector Exports

Last year's report focused attention on the importance of the services sector to U.S. jobs and exports. Over the past year, agencies have taken steps to ensure that their programs and processes promote both goods and services exports. To build our own public-private partnerships, we have also looked at how other countries work with industry.

Travel and tourism: In the spirit of expanding travel and tourism opportunities through public-private partnerships, the U.S. Commerce Department has initiated joint activities with the Government of Japan. On April 19, 2002, Commerce Secretary Donald L. Evans and Minister Chikagi Oogi of the Japanese Ministry of Land, Infrastructure, and Transportation signed a memorandum of understanding to foster mutual economic

growth and improved cross-cultural exchanges of friendship and understanding between the two countries. The goal is to regain momentum and, by 2006, set new records in the number of visits between the United States and Japan. U.S. and Japanese industry leaders will co-chair a council comprised of two working groups. These working groups will focus on effective collaboration in six areas: marketing and promotion, product development, public and media relations, research and information, education and training, and safety and security.

In May 2002, USTDA sponsored "Destination Eurasia: Building Infrastructure for Tourism in Istanbul, Turkey." The conference brought together more than 200 representatives of Eurasian companies and governments; U.S. and other financing institutions; American companies involved in construction and engineering, hotel supply, transportation, and consulting; and senior U.S. Government officials. CS officers from throughout the region participated in the event, along with OPIC and Ex-Im Bank officials and a number of American ambassadors.

The conference marked the first time that USTDA highlighted tourism as a sector for development and for showcasing U.S. goods and services. It profiled more than 60 projects in Eurasia that would contribute to the development of tourism infrastructure. These projects represent over $200 million in potential U.S. exports. They focused on road construction, water treatment, hotel development, and recreational facility development. More than 35 delegates from 12 countries participated in the conference, including several ministers of tourism.

Outreach: Education and Partnering

Although American businesses' awareness and use of U.S. Government trade promotion services increased greatly between 1996 and 2002, familiarity with these programs is low compared with the large number of firms that could benefit from them. Moreover, small and medium-sized companies need a great deal of help in navigating the vast array of assistance that is available. Key TPCC agencies have taken steps to address these issues through increased outreach and educational efforts that involve collaboration of several agencies. However, because the universe of potential clients is constantly changing and the programs themselves change frequently in response to changing market dynamics, there will be an ongoing requirement for jointly sponsored outreach efforts. International markets respond every day to economic, political, and technological changes. In order to keep U.S. firms abreast of these changes, agencies must provide continually updated outreach and trade education programs.

Joint Marketing

An interagency marketing task force has been formed to develop and execute a joint

marketing strategy designed to reach U.S. exporters. This effort includes a direct mail campaign, participation in major trade shows, exporter symposiums, and other activities to educate exporters about opportunities and resources available through federal trade promotion, financing, and investment programs.

Direct mail: ITA, Ex-Im Bank, SBA, and OPIC have planned a joint, targeted mail campaign. This campaign establishes a cost-effective method to reach virtually every company in the United States that exports. A recent direct mailer identified 500 small businesses as potential users of federal export promotion services. The leads are passed on to the most appropriate agency for follow-up. This effort will continue throughout the coming year.

Trade shows: The U.S. Census Bureau's Foreign Trade Division, ITA, Ex-Im Bank, and SBA have together created Export Assistance Pavilions at five major industry shows. These events have proven to be cost-effective lead generators for each agency. The pavilions also house the National Customs Brokers and Forwarders Association, present to ensure that firms have access to critical logistics support as they move into foreign markets. In addition, the TPCC interagency marketing task force is now exploring events at which it can cooperate with the USDA's Foreign Agricultural Service (FAS), whose outreach staff attends at least a dozen domestic food and agricultural product trade shows every year.

Integrated call center services: ITA's Trade Information Center (TIC) and Ex-Im Bank have signed a memorandum of understanding to improve interagency customer support. Individuals who call Ex-Im Bank's toll-free number, (800) 565-EXIM, seeking general export and trade-finance assistance or information on federal trade programs are to be directly routed to the TIC. The TIC provides counseling and information to nearly 70,000 customers annually on export start-up, documentation, country and customs requirements, and other federal trade resources. Ex-Im Bank staff is also at the TIC to answer inquiries on Ex-Im Bank programs. The TIC can be reached by phone at (800) USA-TRADE, or on-line at *www.export.gov/tic*.

Trade Education

Exporter symposia: Ex-Im Bank, SBA, and ITA are sponsoring the Exporter Symposium series. A total of nine such programs are scheduled for this fiscal year throughout the United States, providing information on trade finance, trade regulations, and other trade-related services offered by TPCC members to small and medium-sized firms. To date, more than 200 exporters have attended these events and are now in various stages of engaging the services of the appropriate TPCC agencies.

E-TAP: An important finding of our nationwide survey last year was that exporters view

basic "how to export" information as one of the most important services we provide, and that 30 percent of small businesses would consider exporting if the appropriate "how to" information were available. SBA's Export Trade Assistance Partnership (E-TAP) is the primary seminar and mentoring program of the U.S. Export Assistance Center (USEAC) network for companies that are new to exporting. While its main focus is to prepare the next generation of exporters, it also meets the employee training needs of current exporters. Therefore, we committed last year to identifying ways we can improve and expand this important program.

We have taken the first major step in that direction. Over the last year, CS survey experts conducted a poll of E-TAP participants from the last two years. The results help us to understand better what participants expect to get out of the program and how we can better design and deliver the program in the future. E-TAP fared well overall, with 88-percent satisfaction and 61 percent attributing follow-on exports to the program. In terms of program content, participants recommended a more detailed or customized curriculum (e.g., focused on a particular industry). Several respondents indicated that mentoring and trade event topics were not adequately covered. Finally, there was considerable support (68 percent) for a distance learning/Internet E-TAP offering. In terms of future marketing and awareness, half the respondents first heard about E-TAP from the private/non-profit network of Small Business Development Centers (SBDCs). Sixty-four percent of surveyed companies had exported prior to the program. Over the next year, federal USEAC partner agencies (CS, SBA, and Ex-Im Bank) will use these findings to develop a new and improved E-TAP.

USDA Farm Bill briefings: USDA's Office of Outreach organized a series of briefings across the United States on the 2002 Farm Bill and USDA programs and services. Briefings in more than 10 states were designed to connect USDA customers with agency programs and services while highlighting changes and provisions in the 2002 Farm Bill. Special emphasis was placed on how USDA can better serve non-traditional and traditionally underserved customers. Specific sessions conducted by FAS promoted USDA export programs and services and provided attendees with an exporter matrix outlining USDA and U.S. Department of Commerce export assistance programs helpful to new-to-export agribusinesses.

U.S. export regulations seminars: The U.S. Treasury Department's Customs Service and Office of Foreign Assets Control, and the U.S. Commerce Department's Census Bureau, ITA, and BIS hold over a dozen export regulations seminars annually to counsel U.S. businesses on export shipping documentation, licensing requirements, prohibited countries and parties, and qualifying products under the North American Free Trade Agreement (NAFTA). The audience consists of U.S. exporters, freight forwarders, customs brokers, state and local trade-promotion agency representatives, and port authority staffs. Approximately 100 U.S. exporters attend each seminar.

State and Local Partners

As mentioned in the 2002 National Export Strategy report, states and local agencies are frequently the first places that businesses go to for help in doing business internationally. Although many states devote considerable resources to international trade, in times of budget shortfalls and deficits, it is critically important that federal agencies collaborate as closely as possible with their state counterparts to leverage scarce resources so that these services remain a priority. When state and federal partners work closely together to provide services, they can help to minimize confusion on the part of potential exporters. This year, several states have taken advantage of opportunities for collaboration.

New Jersey: The CS and the state of New Jersey signed a partnership agreement in January 2003. The agreement establishes a joint location of the CS and the New Jersey Commerce and Economic Growth Commission's Office of International Trade and Protocol. These offices now provide New Jersey companies with an array of one-stop shopping services, including export counseling, international contacts, videoconferencing, market research, and product and service promotion. Additional benefits of the partnership include New Jersey's access to CS worldwide databases, as well as greater emphasis on targeted minority and women-owned enterprises.

Other collaborative efforts have included a successful trade mission to the Philippines and substantial outreach to state legislators to educate them about the resources available for helping local firms compete internationally. State and federal staff routinely work together, counseling firms and ensuring that they are directed to the most appropriate resources.

Michigan: CS's Grand Rapids office played a critical role in training the business counseling staff of the state of Michigan. The staff regularly calls on Michigan businesses to assist them in their international expansion efforts, enabling them to make well-informed referrals to their federal counterparts. State economic development officers will also be able to expand their assistance by effectively partnering with federal resources available in their state. Michigan has been grappling with a serious budget deficit, and its export promotion programs have been struggling. Therefore, the state's business counseling staff enthusiastically welcomed CS collaboration in enhancing its portfolio.

Florida: In January 2003, CS Director General Maria Cino joined Florida Governor Jeb Bush in signing a memorandum of understanding that expanded an existing trade alliance to include some 15 trade organizations throughout Florida. The new partnership builds on the alliance between federal USEAC partner agencies (CS, Ex-Im Bank, and SBA), Enterprise Florida, and the state's six World Trade Centers, as well as the Florida District Export Council. The partnership includes a network of SBDCs, chambers of commerce, and economic development centers. Areas of collaboration include training,

business counseling, and trade finance facilitation. USEAC staff met with their counterparts from Enterprise Florida for an all-day planning session. This session, which marked the first time such an "all hands" meeting had been convened, covered a variety of topics illustrating the growing collaborative activity between the federal and state trade infrastructure. The session also set the stage for further collaboration, including trade missions, videoconferences, and joint calendaring of major trade events.

In states with smaller numbers of potential exporters and widely dispersed rural populations, such as Idaho and Alaska, the U.S. Export Assistance Centers have formed close alliances and share office space with state economic development offices. Shared offices allow for economies of scale by leveraging federal and state resources.

Ag Team: USDA has established a partnership at the national level between FAS, CS, the state regional trade groups (SRTGs), and state departments of agriculture. This partnership, known as the Ag Team, represents a new level of cooperation among USDA, the U.S. Commerce Department, and states. A new set of standard operating procedures (SOP) now defines the roles of Ag Team partners to enhance collaboration, contact sharing, and knowledge of and referral to each other's programs to benefit U.S. exporters. This new arrangement has had a tremendous effect on how partners work together. The Ag Team has conducted joint training sessions for partners covering 47 states, created a joint publication, *Exporter's Matrix: Handbook for U.S. Agribusiness*, and developed a new model for cooperation through the SOP. The establishment of solid relationships and initiatives in several states and regions has improved the day-to-day cooperation between partners. FAS staff currently reach out to domestic U.S. Commerce Department and SBA offices while on travel, looking for new opportunities for joint activities.

Investment

As noted in the 2002 report, companies rarely restrict their international commercial activity to exporting. Businesses find that investment often accompanies or precedes substantial export growth. As the U.S. agency charged with mobilizing developmental investment in emerging markets, OPIC engaged in a number of activities in 2002 to reach out to the business community and to develop opportunities in priority markets.

Small business: In September 2002, OPIC signed the Small Business Initiative with the SBA, which allows for greater training, lead generation, and coordination between the agencies. At the same time, OPIC launched its Small Business Center, coordinating OPIC expertise for the development of small business deals through a streamlined approval process aimed at reducing costs and cycle time for small U.S. businesses. OPIC has also entered into a memorandum of understanding with the CS in order to ensure that the services offered by OPIC are as widely available as possible.

Conferences: In 2002, OPIC and other trade finance agencies participated in two significant conferences. In October, more than 200 companies from the Andes region participated in the Andean Regional Trade and Investment Conference, organized by OPIC, Ex-Im Bank, and USTDA to support economic development in the Andean region. In November, 50 companies participated in the U.S.-Serbia Business Conference in Belgrade. The two-day forum, organized with the help of the U.S. Commerce Department, brought together American firms and U.S. and Serbian officials to discuss reform efforts and investment opportunities.

Sub-Saharan Africa: During the AGOA Forum of 2001, OPIC pledged $200 million for a support facility to promote U.S. investment in sub-Saharan Africa. Since the forum, OPIC has approved more than $600 million in projects for sub-Saharan Africa. These include a housing deal in South Africa that will provide shelter for up to 500,000 low-income South Africans, financing for a port and rail upgrade in Mozambique, a direct loan that will allow Ghana and Kenya to drill for potable water, and an innovative project that will tie mortgage lending to HIV/AIDs treatment in South Africa, helping to stem the pandemic while stabilizing the housing market.

Russia: In December 2002, OPIC's board of directors approved a $210 million investment fund for Russia to support fast-growing, medium-sized companies in Russia and neighboring countries.

Supporting the Administration's Trade Agenda

By focusing most of this report on the implementation of last year's recommendations, the TPCC agencies are committed to making our export promotion programs and services more responsive to U.S. exporters' needs. By the same token, strengthening this commitment enhances the Bush Administration's good stewardship of taxpayer dollars. But the TPCC agencies have also served an important supporting role to larger Administration initiatives in assuring coordinated U.S. government commercial policy responses to unforeseen events. U.S. trade and investment policy has increasingly become intertwined with U.S. national economic and security policy. Trade and investment, and their power to benefit everyone, have become important elements in our relationships with key countries and regions. It is in this context that we present some areas in which the TPCC agencies will be working in the coming year to support the Bush Administration's overall trade agenda.

Capacity Building

As the U.S. Government sets out to negotiate new trade agreements, many developing countries seek assistance in building the capacity to participate in trade agreements, implement trade agreements, and respond to new opportunities created by trade agreements. Regarding this third area, countries are looking for help in strengthening their commercial environments and enabling their private sectors to benefit from greater exposure to the global marketplace. The TPCC agencies play an important role in support of our trade agenda by coordinating commercial aspects of our capacity-building assistance. With its statutory mandate to coordinate the trade promotion and financing programs of the Federal Government, the TPCC includes agencies with particular expertise in areas such as small business, infrastructure development, and outreach. Combining our trade and development efforts in a more coordinated fashion will not only strengthen our negotiating position, but also leverage resources so that programs of multiple agencies are mutually reinforcing.

For example, the TPCC agencies are supporting such efforts in Central America and

Southern Africa as part of broader initiatives of the U.S. Trade Representative (USTR) and negotiation of FTAs with Central America and the Southern African Customs Union (SACU). In support of these efforts, the TPCC agencies are interested in working together in the following areas:

- Small business development: helping countries establish small-business development centers; providing seminars on the financing needs of small and women-owned businesses.
- Infrastructure development: facilitating the development of integrated energy grids, transportation, tourism, and telecommunications industries.
- Public-private sector outreach: developing constituencies for reform efforts and more effective government.
- Standards and technical regulations training and assistance.
- Benefits of eliminating tariffs: educating countries on alternative revenue sources to tariffs.
- E-commerce development: linking private sectors for matchmaking.
- Promotion of environmental technologies.

Based on what we learn in the Central American Free Trade Agreement (CAFTA) process, the TPCC agencies should continue and improve their support of the Administration's trade negotiations agenda. Placing trade negotiations into the context of a broader trade and development strategy will bring the mutual benefits of new agreements closer to home for both U.S. exporters and our trading partners.

Southern African Trade Officials Visit the United States

USTDA sponsored, in cooperation with USTR, a delegation of 25 lead trade negotiators from Botswana, Lesotho, Namibia, South Africa, and Swaziland to travel to Washington, D.C., and New York City, to meet with their U.S. Government counterparts and private sector and civil society organizations. All of this was in preparation for the start of U.S.-SACU FTA negotiations. Discussion topics included the role of the private sector in trade negotiations, the benefits of liberalized trade for small and medium-sized enterprises, new issues critical for development in the 21st century, interagency processes, and how the United States approaches trade negotiations. The visits are paving the way for a successful launch of the FTA negotiations.

Promoting Development of Russia's Business Climate

A key priority of the Bush Administration is to encourage and facilitate the integration of Russia into the global economy. To date, U.S.-Russian economic engagement is relatively minor. While we have sought to encourage Russian growth by flagging inadequate or obstructive aspects of the Russian business environment, we see value in complementing this approach by identifying and affirming Russian practices that have succeeded in attracting long-term, direct investment. To this end, the TPCC has begun working to identify, through case studies and other sources, instances in which actions or policies of Russian officials have succeeded in attracting investment and encouraging business growth. As a sustained approach, this effort can be coordinated with the ongoing work of the Russian-American Business Dialogue, used in investor conferences and other fora to highlight cases in which economic reform has borne fruit for Russia, and of help in broadening consensus within Russia for further beneficial reforms.

Transportation Security

The terrorist attacks on Sept. 11, 2001, illustrated how critical the international transportation system is to trade, as well as to economic and national security. Economies must promote the efficient and reliable movement of people and goods across borders, while preventing the tools of transportation from becoming tools of terrorism. In October 2002, the United States and other APEC[2] members developed the Secure Trade in the APEC Region (STAR) initiative at a summit in Los Cabos, Mexico. This initiative includes accelerating efforts to screen people and cargo for security before transit, increasing security on ships and airplanes while en route, securing private supply chains, and enhancing security at airports and seaports. Twenty-one of the world's top seaports and 23 of its busiest airports are located in APEC member economies.

TPCC agencies recognize the importance of this initiative to trade and our economic welfare and are working to provide assistance around the world for security capacity building and other related activities. In February 2003, USTDA sponsored the official launch of the STAR initiative at the Conference on Secure Trade in the APEC Region, in Bangkok, Thailand. Public and private sector leaders from throughout the region met and discussed ways to improve security and efficiency at seaports, airports, and other access points.

2. The Asia-Pacific Economic Cooperation (APEC) forum is the primary international organization for promoting open trade and economic cooperation among 21 member "economies" of the Pacific Rim.

USTDA co-sponsored the conference with the U.S. Department of State. Ex-Im Bank and the U.S. Commerce Department also participated. More than 325 participants from all 21 APEC member economies attended the event, as well as senior representatives of major private corporations and international organizations, such as the International Maritime Organization, the World Customs Organization, and the World Bank.

Appendix A: Progress Report on the 2002 Recommendations

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
Early Project Development				
DOC, Ex-Im Bank, USTDA, OPIC, and State will formalize cooperation to proactively develop project opportunities in pilot countries.	DOC, Ex-Im Bank, USTDA, with State and OPIC	Pilot country working groups:		
		Mexico: Ex-Im Bank and BANOBRAS hosted an environmental infrastructure conference, September 2002, Mexico City. Identified 84 municipal projects.	Mexico: Ex-Im Bank/BANOBRAS conference follow-up: DOC/Ex-Im Bank technical seminar/matchmaker at American Water Works Conference and Exhibition, June 2003, Anaheim, Calif.	Institutionalized interagency process to identify and jointly pursue projects at a very early stage.
		China: *Federal Register* notice to get list of U.S. companies interested in 2008 Olympic Games in Beijing. Ex-Im Bank is exploring a finance facility for Beijing Olympics. Environmental and energy/power projects identified.	China: Ex-Im Bank Framework Agreement with China. Ex-Im Bank/USTDA senior official trips. USTDA is sponsoring financial services conference.	Early projects identified; project teams work together to advocate for U.S. exporters.
		Russia: Airport and telecommunications projects identified.	Russia: Ex-Im Bank/Advocacy Center trip in the spring. USTDA is to develop the latest project list to be circulated.	
			Brazil: Team to continue exploring potential transactions.	
		Ex-Im Bank has completed a model early letter of interest.	Teams to begin coordinated use of early letters of interest.	
		Advocacy Center/Ex-Im Bank MOU to provide U.S. firms advocacy early in the life of a project.	Advocacy Center to update project-tracking software, Web site, and database linkages.	
		Advocacy Center is now working with the Office of the U.S. Commercial Liaison to the World Bank to review leads.		

Appendix A: Progress Report on the 2002 Recommendations

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
EarlyProject Development (cont.)				
Agencies will build systemwide cross-training and personnel infrastructure.		Working groups to include interagency consultations during SCOs' trips to Washington, D.C.	Develop systematic training of CS officers abroad; integrate with larger TPCC training/rotations initiative.	
Tied and Untied Aid				
USTDA will begin a pilot program of financing front-end engineering and design studies if Japan fails to deliver on its new OECD commitment to untie these studies for its untied aid projects.	Treasury, Ex-Im Bank, USTDA, USAID, State, OMB	In September 2002, Japan accepted a U.S proposal in the OECD to define a capital goods project as including FEED studies and committed to untie these studies for its untied aid. U.S. firms should face fewer trade distortions.	Treasury is waiting for U.S. engineering and design firms to identify potential implementation problems, for when the United States negotiates with Japan on formal language for the OECD Arrangement.	OECD agreement to include FEED studies in definition of a (tied aid) project codified.
Pilot project to finance selected commercially nonviable and developmentally sound projects with mixed credits in certain middle-income countries.	USAID, Ex-Im Bank, Treasury	Identified country and project scope of pilot; established procedures and oversight group. Budget guidance out to USAID posts. TPCC Secretariat visited USAID mission in Peru to explain program, possible projects pending.	Detailed instructions cable being sent to foreign posts. Missions to identify projects; vet with oversight group.	Number of developmental projects utilizing program; leveraged USAID support of more developmental activity.
Use the Tied Aid Credit Fund to leverage cooperation of untied aid donors for OECD agreement on untied aid disciplines.	Treasury, Ex-Im Bank			OECD untied aid negotiations are initiated.
Use the Tied Aid Credit Fund to defend U.S. exporters against the unfair use of tied aid.	Ex-Im Bank, Treasury	Ex-Im Bank/Treasury subgroup developed language on criteria and transmitted language to Congress.	Continue implementing tied aid principles and procedures developed July 11, 2001. They will be available on Ex-Im Bank's Web site.	Support for OECD tied aid rules maintained; continued drop in trade-distorting aid.

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
Market Windows Completion of a study of the impact on U.S. exporters of competitor country market windows.	Ex-Im Bank, DOC input from Treasury	Resources identified, terms of reference developed. Study authors identified and contract negotiated. Authors have had general meetings with exporters and are conducting one-on-one interviews.	Final document April 2003.	Complete study; interagency review of results; consideration of possible recommendations.
Advocacy for the Life of a Project Establish a process for delivering coordinated U.S. government support throughout the life of viable projects.	DOC, with State, USTR	Internal ITA discussions under way.	Proposal on interagency steps to better communicate compliance/advocacy assistance services.	Awareness strategy.
Post-Crisis Regions TPCC will serve as a coordinating entity. TPCC will coordinate a commercial approach to reconstruction of Afghanistan and will be available to national security policy-makers for other post-crisis situations.	DOC with USTDA, finance agencies, State, and USAID	USTDA funded: • orientation visits for the Afghan Minister of Water and Power (December 2002) and Minister of Mines and Industries (January 2003). • feasibility studies for the Afghan Ministry of Communications and Ministry of Mines and Industries. • a definitional mission to Afghanistan for the oil and gas sector. • training for Afghan air traffic controllers.	DOC will host roundtables with Afghan-American businesses in Los Angeles, San Francisco, and Dallas. DOC/USTDA will co-sponsor a trade and investment conference, June 8–10, 2003, in Chicago, on the rebuilding of major infrastructure in Afghanistan and projects for key sectors. DOC proposed training of Afghan officials and businesses on GSP use. USTR is taking the lead on an interagency process to develop U.S. trade policy for Afghanistan.	More coordinated, effective commercial strategy that is responsive to private sector interests.

Appendix A: Progress Report on the 2002 Recommendations

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
Post-Crisis Regions (cont.)				
		TPCC agencies involved in effort to get GSP for Afghanistan. DOC hosted a roundtable in January with the Afghan-American business community in Washington, D.C. DOC revamped its Web site, *www.export.gov/afghanistan*. The site is updated regularly and is a comprehensive resource for U.S. businesses interested in rebuilding Afghanistan. DOC supported the U.S.-Turkish Relations Annual Meeting in March, recruiting and matching U.S. construction and engineering firms interested in partnerships with Turkish companies to rebuild Afghanistan.		
TPCC will coordinate development of menu of programs to strengthen economic ties with V-13 countries (Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Slovakia, and Slovenia).		Strategy pending.	Completion: April 2003	Coordinated message and outreach to V-13 countries across agencies.

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
Cross-Promotion				
OPIC and SBA will implement a cooperative agreement to streamline approval processes.	OPIC, SBA DOC, Ex-Im Bank, SBA, USDA	Cooperative agreement has been signed.	SBA will send one of its finance personnel to OPIC for a temporary assignment to assist OPIC in streamlining approval process for small and medium-sized companies.	Signed cooperative agreement; increased access/use of OPIC services by small and medium-sized companies.
OPIC and DOC will implement a cooperative agreement to jointly promote OPIC programs to small business exporters.		Cooperative agreement has been signed.		
Coordinate technology procurement to eliminate duplication and deliver more seamless services.		Established e-government working group: identified potential areas for FY 2004 procurement; three meetings held; FAS online marketplace merging with BuyUSA.com; SBA's TradeNet merging with Export.gov.	IT plans under review by OMB. Identify FY 2003 efforts that can have multiagency effect.	Interagency IT procurements; leveraged resources and greater coordination.
Create online registration form (One Stop, One Form) for use by all TPCC agencies.		Form is completed. ITA and FAS are collecting data.	Expand to other TPCC partners.	Completed form; easier access to services.
Create a shared client database.			ITA working group to identify needs and expand to other agencies.	
CS will provide complete solutions focused on enhancing a firm's global competitiveness.			CS and TPCC agencies will explore options for ensuring that we provide comprehensive export assistance, including whether investment assistance would enable U.S. firms to expand their export sales.	

Appendix A: Progress Report on the 2002 Recommendations

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
More Accessible/Effective Finance				
SBA's Export*Express* will be expanded to cover loans up to $250,000 as a pilot.	SBA	Completed.	Completed.	Increased number of export loans.
The TPCC working group will facilitate further integration of Ex-Im Bank and SBA working capital programs.	Ex-Im Bank, SBA with TPCC	SBA/Ex-Im Bank agree to develop procedures that will enhance cooperation on transactions.	Ex-Im Bank and SBA are working on an agreement enabling them to provide parallel financing for working capital transactions. Ex-Im Bank and SBA will work with OMB to develop joint performance measures.	Increased number of participating lenders and small business export loans; additional tool to enhance customer service. Increased use of Ex-Im Bank and SBA working capital programs.
Ex-Im Bank and SBA will develop a joint marketing program, including publications and lender training.		Signed Ex-Im/SBA MOU. Working group has developed a marketing plan; first set of joint mailings has gone out; several joint symposia have been held.	Institutionalize process of joint mailings and symposiums.	Increased use of Ex-Im Bank/SBA programs.
Streamline Finance/Investment				
Ex-Im Bank and OPIC will streamline processing times, where appropriate.	Ex-Im Bank and OPIC	Ex-Im Bank recently instituted major organizational changes designed to enable Ex-Im Bank to become more market-focused and customer-driven while enhancing risk management. The changes are designed to streamline case processing and standardize customer service and credit evaluation across all product lines.	Ex-Im Bank reorganization implemented.	Reduced case processing times.
Ex-Im Bank will work to expand and broaden electronic access to financing services.		Ex-Im Bank is working on a multi-year revamping of its computerized financial processing systems. The new system will allow	Ex-Im Bank anticipates completion of this project in FY 2004.	Streamlined case processing.

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
Streamline Finance/Investment (cont.)				
		efficient online application for financing and will facilitate internal electronic case processing.		
Ex-Im Bank will continue to expand its information database for repeat customers.		Ex-Im Bank reorganization will facilitate case processing for repeat customers.	Ex-Im Bank reorganization is implemented.	Streamlined processing for repeat customers.
Ex-Im Bank will implement a transparent approach for evaluating the additionality of transactions.		Ex-Im Bank is developing a proposal for a transparent approach for evaluating the additionality of transactions.	Ex-Im Bank and OMB will collaborate to develop a more objective and transparent additionality policy and measures.	Improved transparency for evaluating additionality of transactions.
OPIC will develop new additionality policy.		Improved additionality policy implemented. OPIC is working with OMB to enhance policy further.	OPIC and OMB will continue collaboration to finalize a more objective and transparent additionality policy.	
OPIC and Ex-Im Bank will develop cooperative agreement.		Ex-Im Bank/OPIC agreement completed.		Increased sharing of resources for Ex-Im Bank/OPIC transactions.
Information				
DOC will improve market research using technology solutions for collaboration between agencies.	State, DOC Ex-Im Bank	State Department pilot still needs work. Technology installed.	Need to set process up for International Market Insight (IMI) report development.	Complete projects, IMIs through collaboration.
DOC will make access to export information easier through improved search capacity and interagency portal.		Search engine installed, budget for content management tool identified.	Expand SQL database to take in research from other parts of ITA.	Make all databases searchable through one site; install content management system.

Appendix A: Progress Report on the 2002 Recommendations

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
Information (cont.)				
Gather ongoing feedback from user groups on efforts to improve access.		Usability test completed.	Make changes to site based on results.	Analyze and incorporate findings.
Ex-Im Bank will use the Internet to improve access to government working capital programs.		Test program up and running.	Expand to additional Delegated Authority lenders, ultimately allowing exporters to use system to find lenders.	Lenders report that this is more efficient way of using program.
The TIC will improve responsiveness to customer inquiries using advanced customer support technology.		Contractors developed technical recommendations and implementation of technical infrastructure to begin shortly. Automation of the NAFTA certificate of origin.	Phase I of implementation: To be completed by December 2003. Phase II of implementation: Dependent on funding.	
Interagency Training Initiative				
Cross-train TPCC agency personnel, including joint training agreements.	All TPCC promotion services agencies	Interagency task force has developed cross-training initiative, delivered the pilot course, and begun interagency job details.	Further define performance measures (e.g., customer satisfaction).	Number of people cross-trained; hours of training delivered; number of rotational assignments.
Certify trade specialists in TPCC agency programs to act as account managers for exporters and investors.		TPCC agencies met with NASBITE representatives to support NASBITE's trade specialist certification effort. Experts attended NASBITE meeting in Chicago. SBA provided training at SCO regional conferences in New York City, Chicago, and Williamsburg. SBA trained two groups of FSN trade specialists in Washington, D.C.	Pursue certification.	

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
Interagency Training Initiative (cont.)				
CS trade specialists will be trained to promote one U.S. government working capital program.	DOC, Ex-Im Bank, SBA			
Enhance training for state and local partners.		Training course developed.		
Services				
Ex-Im Bank will adapt its programs for exporters of services.	Ex-Im Bank, DOC, USTDA	Examining policies and procedures that hinder Ex-Im Bank's ability to support service-sector exports.	Establish principles that Ex-Im Bank can apply to transactions of service sector.	Number of new service company clients.
DOC's Advocacy Center will redesign its questionnaires for service exporters.		Consulting with industry.	Incorporate service sector considerations into planned redesign effort.	Questionnaire that facilitates advocacy for service firms.
DOC's Office of Travel and Tourism Industries (OTTI) will develop public-private partnerships.		In April 2002, DOC/OTTI signed an MOU with Japan to establish a public-private partnership council to further the expansion of tourism flows; working group met in August 2002.	Promotional and marketing funds of $50 million (FY 2003 no-year monies) will be used to conduct an integrated umbrella campaign, including grants for regional marketing efforts. The program will emphasize public-private partnerships and matching funds to maximize the funding and impact in key international markets. The contents of the program will be designed in conjunction with a travel and tourism advisory board (to be formed) and in consultation with states, cities, and regional tourism marketing entities.	Establishment of umbrella (public-private) tourism campaign.

Appendix A: Progress Report on the 2002 Recommendations

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
Services (cont.)				
USTDA will work with service sector companies and associations.		In May 2002, USTDA sponsored (with CS, Ex-Im Bank, and OPIC) a conference in Istanbul on the Eurasian tourism sector. In November 2002, USTDA and State held a conference on implementing e-government in emerging markets.		
Outreach/Education				
Create unified marketing materials for core TPCC agencies.	DOC with TPCC agencies	Created interagency marketing task force targeting exporters, potential exporters, state export promotion groups, and elected officials. Nine seminars have been held. Direct mail campaign identified 500 companies for federal export promotion services. Interagency pavilions at five major trade shows.		Number of joint promotional activities (mailings, symposia, trade events); unified marketing piece.
Establish tighter linkages with state export promotion agencies, including packages of federal services that would allow states to leverage their resources and joint strategic planning sessions to coordinate trade promotion events. Enhance training for state and local partners.		Moved forward with joint state-federal programs in several states. Cooperative programs currently include states offering packages of federal programs; shared counseling, events and strategic planning, joint training, and co-location.	Integrate states into larger TPCC outreach, training, and planning efforts.	Number of state-federal cooperative programs in place.

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
Outreach/Education (cont.)				
Expand trade education efforts for new-to-export firms.		DOC conducted survey/analyzed results of SBA's E-TAP program.		Institutionalize follow-up mechanism; number of new-to-export firms trained.
Develop outreach strategy for intermediaries and logistics firms.		TPCC Secretariat staff had focus groups with intermediaries in Los Angeles and Orange counties.	Future focus groups planned in key cities. Explore online delivery options.	Increased number of intermediaries involved with TPCC agencies.
Integrate export control training by BIS and other agencies.	DOC (Census, ITA, BIS) Customs, OFAC	Completed. Regular joint U.S. federal regulations seminars to counsel U.S. businesses on export shipping documentation, licensing requirements, prohibited countries and parties.		
Agriculture Initiatives				
New Agriculture Global Market Strategy.	USDA	A draft market strategy was released during this year's three-day conference and workshop in Baltimore with agricultural industry organizations and frequent program participants. Comments and recommendations from the conference and from FAS posts worldwide. Congressional staffers have been apprised of the plan's progress.	On the basis of feedback from the conference and from FAS posts worldwide, the draft strategy is being revised.	A final draft for review by stakeholders and congressional staffers is expected in August 2003.
Pursue long-term capacity-building efforts.	USDA, USAID	Initial outlook evaluation by FAS to align reimbursable contracts with long-term development efforts for trade capacity building.	Reimbursable contracts cycle two to four years. Over the next year, USDA (FAS) will develop a plan to target and capture a higher proportion of projects aimed at sustainable trade building. Efforts will expand beyond	Progress measures for each USDA recommendation will be presented in the next progress update.

Appendix A: Progress Report on the 2002 Recommendations

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
Agriculture Initiatives (cont.)				
			interagency contract agreements in order to capture more foreign government and non-government clients.	
Implement a biotech strategy aimed at coalition building and resolving market access issues.	USDA, USTDA	A new USDA (FAS) biotech staff has been created to implement strategy, address market success issues, and participate in U.S. Government biotech coalition building. To improve market access, USTDA, USTR, and FAS are providing training to Chinese scientists, regulators, and businesses on safety and regulatory issues in the agricultural/biotech sector.	Fill staff vacancies; develop mission statement; establish interagency responsibilities and communication lines.	Staff implementing options under an approved mission statement and strategy by FY 2004.
New Exporter Assistance				
Implement a new processed foods division that will interface closely with the U.S. Commercial Service.	USDA (FAS)	Completed draft proposal for adding these duties to the current Agricultural Exports Division of FAS; a division name change and progressive personnel realignment plan has been submitted for approval.	Final approval of proposal. Gradual realignment of operational structure and staff responsibilities. Long-term effort to add personnel and processed foods database and additional exporter support services.	Division name change and beginning of long-term implementation.
Improve coordination of outreach activities in the United States with other TPCC agencies.	USDA (FAS)	During FY 2002–03, FAS conducted 12 joint export programs and services training programs with SBA, DOC, state departments of agriculture, and related	During 2003 and beyond, additional joint outreach activities will be conducted.	Preplanned joint activities become standard operating practice between all TPCC agencies.

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
New Exporter Assistance (cont.)				
		state economic development organizations across the country. Emphasis: educate customers, better inform partners about USDA export programs and services, improve communications and networking.		
Revise criteria for the branded promotion program to allow participation of medium-sized firms.	USDA (FAS)	Completed.		Program operations and policy allow participation of both small and medium-sized firms.
Establish new, customized, fee-based services for exporters.	USDA (FAS)	Initial draft plan listing proposed fee-based services has been completed.	Distribute draft of fee-based concepts and initial ideas to stakeholders for comments and feedback. Redraft plan for approval. Work to gain legislative authority to charge and be credited back user-fees for USDA use; more closely utilize export assistance services already in place, offered by CS and by the state regional trade groups (e.g., Food Show PLUS! and Distributor Development Service); and ensure that posts maintain lists of recommended contractors to whom it may refer exporters to perform certain requested marketing services.	Final plan approved by Oct. 1, 2003. Implementation begins and 100 percent operational by 2006.

Appendix A: Progress Report on the 2002 Recommendations

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
Export Finance Assistance				
Assess changes to improve customer service and management of the Commodity Credit Corporation.	USDA (FAS)	Project focused on four issues for improving customer service and program management of export credit guarantee programs (some aspects aligned with e-government initiatives and/or impacted by current WTO negotiations): • investigate a public-private partnership between the CCC program and a private U.S. insurance company to allow FAS to offer a larger array of export assistance products. • assess the potential of doing revolving credits and risk analysis on a portfolio basis instead of on a transaction-by-transaction basis to allow for increased flexibility in the program while maintaining sound management control. • determine the impact of a risk-based fee structure instead of the current flat fee structure. While this could potentially increase overall fees to exporters, it better reflects the approach of other export credit agencies and private sector lenders. • review CCC's third-country bank approval policy to potentially apply "standard practice arrangements" with banks	Four issue teams are investigating benchmarks to formulate recommendations for future actions, including legislative changes, legal considerations, policy changes, or other recommendations. Initial key questions on each issue have been identified for further evaluation.	A draft report with recommendations by Oct. 1, 2003.

Recommendations	Lead Agencies	Accomplishments	Next Steps	Progress Measures
Export Finance Assistance (cont.)		outside the country or region of sales. This could bring about more interest in third-country banking, particularly by larger multinational banks.		
Investigate and assess the benefits of changing foreign content requirement for USDA export financing.	USDA (FAS)	A project team is formed and is currently investigating this issue. Initial key questions on the issue have been identified and benchmarks are being sought.	By Oct. 1, 2003, determine if the current legislative restriction of 10 percent has an adverse impact on high value agricultural products assisted by USDA commercial export programs. Estimate what benefits, if any, would U.S. exporters gain by lifting the restrictions.	A draft report with recommendations by Oct. 1, 2003.
Provide guarantees on electronic payment mechanisms and support non-traditional letter-of-credit forms.	USDA (FAS)	A project team is evaluating electronic payment mechanisms and their compliance with the CCC's export credit guarantee program. The team is also investigating the use of such payment tools by our customers. The project team has preliminarily determined that the Bolero system with TRADEPAQ supports *UCP 500* transactions and letters of credit, and that commercial banks can currently use the system in the event of a claim. They can print and forward to the CCC with other claim documentation. The working group has also discussed the Bolero system with a few banks that have indicated they are not currently using the system. Reasons for not accessing the system include associated usage costs and complex rules.	Objectives of the project team determine costs associated with use of Bolero; investigate customer usage of electronic payment mechanisms; and determine need for CCC's e-government compliance.	The working group is continuing to make progress and anticipates a complete assessment by June 15, 2003.

Appendix B: TPCC Program Budget Authority

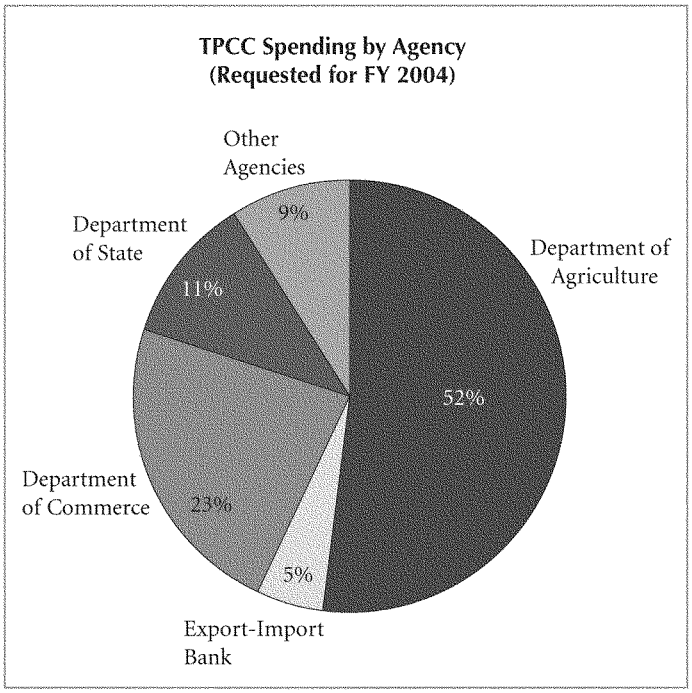
TPCC Program Budget Authority, Fiscal Years 2002–2004 (millions of dollars)

	FY 2002 (Actual)	*FY 2003* (Enacted)	*FY 2004* (Budget)
Department of Agriculture	786	1,354	764
Department of Commerce	320	316	329
Department of Energy	3	4	7
Department of Labor	1	1	1
Department of State	129	139	155
Department of Transportation	0	0	0
Department of the Treasury	3	3	3
Agency for International Development	NA	NA	NA
Environmental Protection Agency	0	0	0
Export-Import Bank	815	578	75
Overseas Private Investment Corporation	(221)	(214)	(198)
Small Business Administration	12	9	13
Trade and Development Agency	62	47	60
U.S. Trade Representative	30	35	37
Totals	**2,161**	**2,486**	**1,444**

Notes:
Totals do not include the Overseas Private Investment Corporation.

Amounts may be restated in the future to reflect new data or definitions. Figures may include administrative expenses, transfers, or other adjustments.

Figures for the U.S. Agency for International Development (USAID) do not appear in this table, as USAID activities support trade promotion indirectly through broad economic growth and reform, unlike other activities that more directly fund trade finance or promotion.


TPCC Spending by Agency
(Requested for FY 2004)
Other Agencies
9%
Department of State
11%
Department of Agriculture
52%
Department of Commerce
23%
5%
Export-Import Bank

Appendix C: Abbreviations and Acronyms

AGOA	African Growth and Opportunity Act
APEC	Asia-Pacific Economic Cooperation
BANOBRAS	Banco Nacional de Obras y Servicios Publicos, S.N.C. (development bank, Mexico)
BIS	Bureau of Industry and Security (DOC)
CCC	Commodity Credit Corporation (USDA)
CS	U.S. Commercial Service (ITA)
DOC	U.S. Department of Commerce
DOT	U.S. Department of Transportation
EDC	Export Development Canada (export credit agency, Canada)
EU	European Union
E-TAP	Export Trade Assistance Partnership (SBA)
Ex-Im Bank	Export-Import Bank of the United States
FAS	Foreign Agricultural Service (USDA)
FEED	front-end engineering and design
FSN	foreign service national
FTA	free trade agreement
GDP	gross domestic product
GSP	Generalized System of Preferences
ITA	International Trade Administration (DOC)
KfW	Kreditanstalt für Wiederaufbau (KfW Group; development bank, Germany)
LDCs	less developed countries
LLDCs	least developed countries
MOU	memorandum of understanding
NAFIN	Nacional Financiera S.N.A. (development bank, Mexico)
NAFTA	North American Free Trade Agreement
NASBITE	North American Small Business International Trade Educators
OECD	Organization for Economic Cooperation and Development
OFAC	Office of Foreign Assets Control (U.S. Department of the Treasury)
OMB	Office of Management and Budget (Executive Office of the U.S. President)
OPIC	Overseas Private Investment Corporation
SACU	Southern African Customs Union
SBA	U.S. Small Business Administration
SBDC	Small Business Development Center (SBA)
SCO	senior commercial officer (CS)
SME	small and medium-sized enterprise
SOP	standard operating procedures
SRTG	state regional trade group
STAR	Secure Trade in the APEC Region
TIC	Trade Information Center (ITA)
TPCC	Trade Promotion Coordinating Committee
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USEAC	U.S. Export Assistance Center (CS, Ex-Im Bank, SBA)
USTDA	U.S. Trade and Development Agency
USTR	Office of the U.S. Trade Representative
WTO	World Trade Organization