

TESTIMONY

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

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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 of 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 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. 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 FY 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 U.S., 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, 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 pursuing 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 non-viable 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% 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 U.S. exports to Iraq sooner rather than later, including taking the credit risk of companies and 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 am happy to respond to any questions you may have at this time.