Seventh Annual Report to the
United States Congress

The National Export Strategy

Working for America

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Trade Promotion Coordinating Committee

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Letter from the President

Last month America achieved the longest period of economic growth in our Nation's history—now 108 months long and going strong—with 21 million new jobs created, the lowest unemployment rate in 30 years, and the lowest poverty rates in 20 years. As we issue the seventh annual National Export Strategy Report, it is fitting that we recognize the considerable role that our exporting firms and workers have had in making this possible. In recent years, as much as 30 percent of our economic growth came from exporting. With the global financial crisis now behind us, trade continues to be an important engine of growth for the United States and a force for peace and prosperity around the world.

These benefits will continue to be realized if the United States is prepared to lead the global trading system forward into the 21st century. We must continue to support the World Trade Organization (WTO)—even as we seek to reform and strengthen it. Open markets and rules-based trade play a critical role in lifting living standards and building shared prosperity at home and abroad. This system is particularly important to smaller businesses that do not have the resources to overcome existing trade barriers.

That is one reason why China's entry into the WTO is so critical. Last November, we negotiated a strong, comprehensive agreement that draws the world's fastest growing economy into a system of international rules enforceable in the WTO and provides strong safeguards for the United States against unfair competition from China. This agreement is good for America for two key reasons. First, China has agreed to grant the United States new market openings, while China's access to our market remains the same. Second, this agreement will increase the likelihood of economic reform in China and stability throughout Asia. As we continue to press for democratic reforms in China, we must do so without isolating China from the global forces empowering its people to build a better future. If we do not grant China permanent Normal Trade Relations now, American farmers, businesses, and workers may be left behind while our Asian, Latin American, and European competitors reap the benefits.

America's position of leadership in the world and our national economic interest demand that we help less developed nations take advantage of the benefits of active engagement in global trade. That is why me must act now to pass groundbreaking trade preference legislation for Africa, the Caribbean Basin, and Southeast Europe. This is not charity, but an economic and political imperative. These proposals will strengthen economic growth and promote the advancement of democracy and the rule of law in these regions, leading to greater commercial opportunities for American businesses and agriculture.

It should now be clear that advancing our trade agenda requires an open dialogue. Our message is compelling—active engagement in the new economy makes possible more growth and stability as well as better treatment for people in the workplace and more sustainable environmental policies. In conveying this story, we will find new constructive partners and build a firmer foundation for advancing our trade agenda at home and in the WTO.

This seventh National Export Strategy presents the Trade Promotion Coordinating Committee's (TPCC) plan for ensuring that our exporters, large and small, are able to take full advantage of the new economy and of America's market-opening initiatives. It demonstrates that the government is working every day to bring the benefits of trade to every American. The strategy presents steps we will take to ensure that our exporters are well-positioned to take advantage of market openings in China and other large developing countries. We also will enhance our monitoring and enforcement capabilities to ensure U.S. goods and services have every opportunity in world markets. The strategy marshals our trade financing resources to help exporters confidently face fierce international competition and to penetrate attractive, but risky, overseas markets. It brings to bear the full force of e-commerce and our network of overseas and domestic offices to bring opportunities in distant markets closer for our small companies and underserved communities. And it sets out a plan to promote our world-class environmental technology industry, particularly the clean energy sector.

These initiatives can unlock the full potential of our economy by enlisting the participation of a wider circle of firms, workers, and communities—helping to spread the benefits of growth more evenly across our population. The TPCC is working for America, and with the support of the Congress, will continue to help bring the benefits of trade to every American firm and worker.

Bill Clinton

Letter from Secretary Daley

Dear Mr. President and Mr. Speaker:

As Chairman of the interagency Trade Promotion Coordinating Committee (TPCC), I am proud to present the seventh annual report on the status of the National Export Strategy.

In this final National Export Strategy Report of the Clinton Administration, and the first of the new century, we find ourselves in the midst of the strongest economic expansion in our Nation's history. In the last seven years, we have created almost 21 million jobs, achieved the lowest unemployment rate and the fastest real wage growth in over three decades, and experienced increases in Gross Domestic Product (GDP) and productivity, which buck all recent trends. United States companies are at the top of their game in producing cutting edge products and services, while holding down costs of production. Our economy is the envy of the world.

Yet the support for trade—which has generated much of this success—has never been more fragile.

The protests that accompanied the World Trade Organization (WTO) Ministerial in Seattle, Washington, in December demonstrated the urgency of trade and globalization issues to many working Americans. The concerns raised are important for all of us to understand, and the Administration has taken a leadership role in the world trading system to address them. We are committed to helping every American benefit from the global economy. We are committed to reforming the WTO system and to making it more accessible to the public. We also are committed to ensuring that trade and both labor and environmental policies are mutually supportive. The Administration's message is that trade is not an end in itself, but a tool by which we seek to raise the living standards of our people.

But we cannot accomplish these things without a broader understanding of the rapid economic changes and challenges Americans now face in this "new economy," and without engendering greater public support for trade. This report is one way to communicate the importance of trade to the lives of every American. As John Kennedy said 40 years ago, most people are unaware of the benefit of trade because you can see an import. But very few ever see an export. Yet the United States is the world's largest exporter of goods and services, and exports have accounted for almost a third of our economic growth for much of the past ten years. Over the last seven years, both U.S. goods and services exports have increased by about 50 percent. Since 1994, when the TPCC launched an environmental technology exports strategy, exports in that sector have doubled.

The National Export Strategy is fundamental to developing and coordinating the programs and initiatives available throughout the U.S. Government, which can link all U.S. companies and workers to the new economy. It demonstrates that while we still face the challenge of convincing many Americans of the need to engage the global market, all 19 TPCC agencies continue to work every day to bring the benefits of the world economy even closer.

The Case for Trade Remains Strong

The events in Seattle highlighted what many believe to be true about the trading system and the global economy: that they benefit the few at the expense of the many. The facts, however, tell a different story.

Exports represent sales for farms and small businesses, create the economies of scale that speed technological progress, and raise the wages of workers. United States jobs supported by exports pay 13 to 16 percent more than the national average. This advantage applies to both high and low-skilled workers and both large and small firms. Employment in U.S. exporting firms grows 15 to 40 percent faster than in other firms. And, exporting firms are 9 percent less likely to fail in any year than comparable firms that do not export.[1]

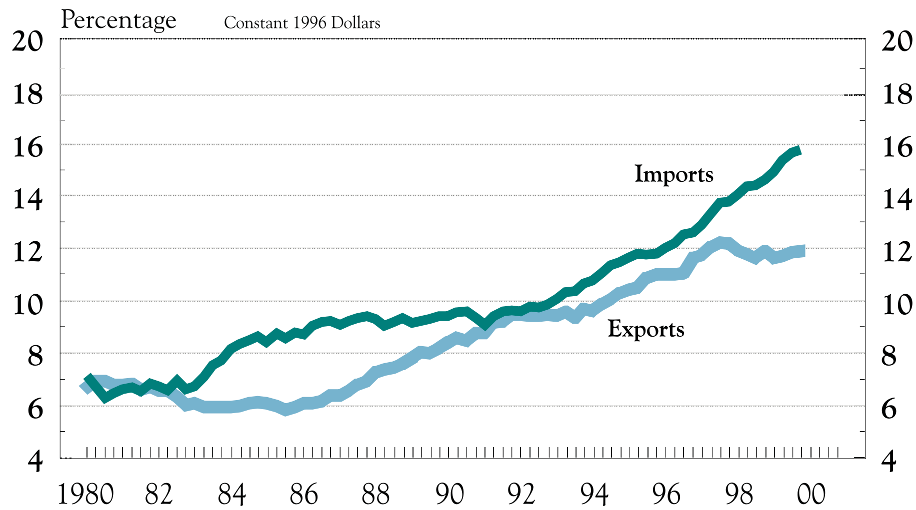
In the United States, export-oriented industries have been the biggest creators of jobs. In every sector, including autos and steel, exports have helped our economy excel in a rapidly changing international marketplace. The new economy demands workers that have the technological skills necessary to keep our companies more productive than our competitors. As companies react to competitive pressure by sourcing some of their inputs from overseas, U.S. exports of parent firms actually increase. Since export jobs in the United States pay wages higher than the average, the impact is to shift the composition of jobs in the U.S. economy toward higher-skilled, higher-paying occupations. To the degree that we can offer our workers training opportunities to develop skills, we can help them cope with the new economy and address wage inequalities where they exist. The President's initiatives on manufacturing, described later in this report, will help to address this need head on.

Around the rest of the world, countries that liberalize trade and investment are not only growing faster than those that do not, but their citizens are benefitting from higher real wage growth. With the liberalization of trade and investment

[1] J. David Richardson, New Gains from More Global Integration, (forthcoming, 2000).

over the last four decades, the share of manufactures in developing country exports has risen from 20 percent to more than 60 percent. Countries that have increased their share of GDP devoted to exports have seen their manufacturing wages rise an average of 3 percent a year. Countries whose exports are a declining share of their GDP have seen wages decline. It is also important to note that U.S. companies investing abroad pay foreign wages three times higher than the national average in middle income countries and nine times higher than the national average in the poorest countries.[2]

U.S. Exports and Imports as a Share of GDP



Source: U.S. Department of Commerce

This is not to say that workers here and abroad do not face difficult challenges brought on by trade. We must continue to help those dislocated by trade—through skills-training and adjustment programs. The President's budget properly expands adjustment assistance for workers and communities. We must also continue to promote enforcement of adequate labor standards abroad through multilateral organizations, and to promote and encourage recent efforts on the part of the business community to more actively monitor the labor practices of their suppliers.

The resumption of U.S. export growth since the middle of 1999 is a welcome development. We expect that growth to continue and accelerate as economic prospects abroad improve. The Asian crisis, combined with difficulties in Russia and Latin America and slow growth in the European Union, have held down world economic growth to only about 2 percent in each of the last two years after several years of 4 percent growth. This inevitably led to a sharp slowdown in the growth of U.S. exports. Exports of goods and services declined slightly in 1998 and gained about 2 percent last year. But exports were back on track at about a 5 percent growth rate in the second half of last year, and this rate is expected to increase as economic conditions in foreign countries continue to improve.

2 Edward M. Graham. "Trade and Investment at the WTO: Just Do It", in Launching New Global Trade Talks: An Action Agenda, Jeffrey J. Schott, ed. Washington, D.C., The Institute for International Economics, 1998. p. 157-159, Table 3.

As foreign economies gain strength, U.S. exports will benefit. Since the fourth quarter of 1999, U.S. exports of goods and services have been running at a rate of more than $1 trillion a year, and economists project our exports to reach a rate of $1.2 trillion in two years' time. We can achieve this by aggressively pursuing our trade policy agenda and export promotion strategy, i.e., by continuing to give our firms the tools they need to make the most of these unfolding opportunities.

Regarding our trade policy agenda, our number one trade priority in 2000 is bringing China into the global rules-based trading system. Other key policy goals are linking Africa to the global economy; cementing trade ties with our neighbors in Latin America; finding ways for peace efforts in the Middle East to pay economic dividends; implementing the WTO built-in agenda; and getting new WTO negotiations off the ground. But China is the pivotal issue. The outcome will have a major impact on the opportunities available to U.S. exporters for years to come. As the President has said, the world will be better off by giving China the chance to choose wisely and become a constructive member of the global economy. I can think of no better way of doing this than by engaging them economically, by opening their markets to our businesses, and by making them full partners with the other 135 current members of the WTO.

The TPCC Has Worked for America

Over the last seven years, the TPCC has logged a number of accomplishments that have both responded to the immediate needs of exporters and met the test of time by efficiently delivering our services over the long term:

1. Eliminating Duplication and Ensuring Coordination: Elimination of overlap and duplication was the focus of the TPCC's first Report in 1993. The TPCC developed 65 recommendations to streamline federal export promotion and finance programs. All 65 recommendations were implemented the following year. For example, most export-related feasibility studies were moved to the U.S. Trade and Development Agency (TDA) from agencies like the Overseas Private Investment Corporation (OPIC), the Department of Energy, the Export-Import Bank of the United States (Ex-Im Bank), and the Agency for International Development (USAID). Agencies leveraged their resources in establishing a temporary joint presence in South Africa (where Ex-Im Bank, OPIC, and TDA shared a business development officer posted in Johannesburg in the fall of 1998) and the Caspian (where Ex-Im Bank, OPIC, and TDA joined forces in establishing the Caspian Finance Center in Ankara, Turkey). The TPCC continues to coordinate our efforts and ensure that we are not working at cross-purposes—primarily through the National Export Strategy reporting process, but also through the day-to-day activities of the U.S. Export Assistance Center (USEAC) network, the advocacy network, and other interagency mechanisms.

2. Responding Immediately to the Asian Financial Crisis: With the full onset of the Asian financial crisis, the TPCC acted quickly to develop a commercial strategy to help U.S. companies maintain their competitiveness in these markets while bolstering broader efforts to stabilize the region's financial system. During a critical moment in early 1998, Ex-Im Bank helped lead a coordinated response by 18 export credit agencies to provide liquidity throughout Asia by keeping their programs open. Ex-Im Bank also developed mechanisms to provide $1 billion in short-term financing and $2 billion in medium-term financing to South Korean companies to facilitate the purchase of U.S. exports, including raw materials and spare parts needed to get the Korean economy back on its feet. The Department of Agriculture (USDA), faced with a dramatic increase in demand for its guarantees, also developed programs to help U.S. exporters while contributing to the region's stability. In early 1998, USDA significantly increased program allocations for the hardest hit countries (Korea, Thailand, Malaysia, Indonesia, the Philippines, and Singapore), providing over $2.5 billion in General Sales Manager credit guarantees and $50 million under the Supplier Credit Guarantee Program, and adding an additional $40 million to the Facilities Guarantee Program. TDA helped to keep major infrastructure projects with U.S. export potential from stalling. With public funds depleted by the financial crisis, infrastructure planners turned to the private sector to fund and operate projects once reserved for direct government involvement. TDA services have assisted with the privatization of several such projects. As crises broke out in other regions (e.g. South America and Russia), TPCC agencies found new ways to address the drying up of traditional funding sources, e.g., OPIC's new program to leverage private capital markets.

The importance of Ex-Im Bank's mission is clearly demonstrated by the case of its financial support for large commercial aircraft sales during the global financial crisis. During FY 1998 and 1999, Ex-Im Bank authorized $8.7 billion in financial support for the sale of 184 aircraft worldwide. Of this amount, almost 38 percent of the authorizations and 78 aircraft went to Asia; 20 percent of total aircraft authorizations and 47 aircraft went to China alone.

3. Leveraging Technology to Give Firms Access to Critical Information and Products: Since the TPCC was created in 1993, agencies have improved exporters' access to information and services exponentially through aggressive use of technology, including the Internet. In 1993, the TPCC designated the Trade Information Center (TIC), part of the Department of Commerce's Trade Development unit, as the gateway for companies to access U.S. Government export assistance programs. Currently, 83 percent of the TIC's business clients are small and medium-sized companies. By capitalizing on advances in technology, the TIC has evolved into a high-volume, award-winning, customer-focused delivery system for export promotion information and counseling. From servicing 22,600 customers by telephone in FY 1992, the TIC handled nearly 650,000 inquires in FY 1999. Of these, nearly 74,500

KEY TPCC AGENCY TRADE WEB SITES

Trade Information Center – http://tradeinfo.doc.gov
A comprehensive Department of Commerce resource for all federal government export promotion and assistance programs, including real-time market and trade issue updates.

Commercial Service Homepage – www.usatrade.gov
Brings the Commercial Service's worldwide services to one online resource, including the latest market research, trade leads, export counseling services, and the Export America magazine.

U.S. Trade Representative – www.ustr.gov
An up-to-date comprehensive resource on U.S. trade policy issues and initiatives, congressional testimony, speeches, and other relevant information. Includes links to other trade policy web sites.

TradeNet Website – www.tradenet.gov
An interactive Export Advisor system developed by the Vice President's Partnership for Reinventing Government, the Small Business Administration, and an interagency team.

U.S. Export-Import Bank – www.exim.gov
Detailed information on obtaining export financing for U.S. companies, including step-by-step guidelines on the financing process and online applications.

Foreign Agricultural Service Homepage – www.fas.usda.gov
Extensive assistance for agricultural exporters, from export plan development to certification rules, market research, and trade leads.

Overseas Private Investment Corporation – www.opic.gov
Information on political risk insurance and financing for U.S. investment in emerging markets, including online applications and a country-link database on eligible countries.

Trade Development Agency - www.tda.gov
Visitors can sign up for a free e-mail distribution service for the latest TDA news and a bi-weekly link to TDA Pipeline featuring the latest projects in which TDA is investing.

State's Coordinator for Business Affairs - www.state.gov/www/about_state/business
Point of contact for businesses seeking State Department support and assistance. Includes country-specific economic and political overviews, travel tips, and online publications.

Small Business Administration/International Trade Office - www.sba.gov/oit
A guide to SBA's trade finance, technical assistance, and trade promotion programs, including a link to Trade Mission Online – a searchable database of U.S. small businesses seeking to export.

Trade Compliance Center – www.mac.doc.gov/tcc
Online database of U.S. manufacturing/ services trade agreements with foreign countries, market access reports, and ability to lodge trade agreement non-compliance and market access complaints.

Advocacy Center – www.ita.doc.gov/td/advocacy
Commerce web site for U.S. firms seeking government advocacy assistance for overseas projects.

Employment Training Administration – www.doleta.gov
Point of contact for information concerning Trade Adjustment Assistance for U.S. workers.

Department of Labor's Bureau of International Labor Affairs – www.dol.gov/dol/ilab
Reports available on trade and employment effects of the Andean Trade Preference Act and the Caribbean Basin Economic Recovery Act.

customers received personalized business counseling, while electronic resources accounted for 575,500 contacts for TIC information. By surveying clients and responding to their feedback, the TIC has succeeded in maintaining a 90+ percent satisfaction rate since 1995. Other TPCC agencies have used the Internet to speed the delivery of trade information and their services. TPCC agencies are also using technology to make it easier for companies to export — from video conferencing (which cuts down on exporters' travel costs) to virtual trade shows (which help U.S. companies display their products over the Internet) to allowing bankers to fill out trade finance applications online (which cuts down on banks' operating costs). TPCC agencies are continuing to focus on how we can use technology to better serve our customers as the transformation of federal government services from paper-based delivery to electronic delivery continues. In the not too distant future, it is envisioned that all transactions related to exporting will be able to be performed online.

4. Completing a Network of One-Stop Shops for Local, Hands-On Assistance: Through the USEAC network, exporters have access to one-stop shopping for export marketing and trade finance support. The TPCC has built a network of 19 USEACs in major metropolitan areas throughout the United States in order to leverage the resources of all trade-related agencies. When the TPCC was first established, it was revolutionary to combine and co-locate Commerce offices with Small Business Administration (SBA) and Ex-Im Bank offices. Now these agencies work as a team throughout the country on a daily basis. We have since added representatives from the Foreign Agricultural Service and USAID in select offices. These USEAC "hubs" work closely with Commerce's 90 Export Assistance Center "spokes," which together have directly supported overseas sales of $1.5 billion in 1999 for our exporters. These offices work at the local level with other federal, state, and local public and private organizations to provide the highest level of service possible.

5. Meeting Foreign Competition With Better Programs and Services: The TPCC identified the foreign competition our exporters were increasingly facing in the global market and developed a comprehensive government-wide strategy to address it. The scope of the problem ranged from significant lost sales of major contracts due to bribery, to expanding foreign government spending on advocacy and aggressive export promotion, to generous concessional finance and technical assistance. Through a number of programs, the TPCC worked to tilt the global playing field back so that U.S. exporters could have a fair shot. Some of these programs include:

Coordinating Advocacy to Bring Home $125 billion in Major Projects: Since the Advocacy Center first opened in November 1993, the TPCC advocacy network has helped U.S. companies, large and small, win over 500 projects overseas through the FY 1999. The total value of these projects is approximately $125 billion, including more than $65 billion in U.S. export content over the life of these projects. These efforts support some 680,000 U.S. jobs over the life of the contracts. There have been 110 small and medium-sized enterprise (SME) successes during this period with an estimated total value of $2.4 billion. The advocacy network is committed to giving U.S. firms the same level of support that the governments of our competitor nations have traditionally given their companies. A key component of successful advocacy efforts is the active, personal involvement of the President, the Cabinet, and other agency heads. Clinton Administration officials have demonstrated an unprecedented willingness to lend their support to American companies.

Discouraging Our Competitors' Use of Trade-Distorting Tied Aid: In recognition of the potential trade distortions associated with concessional financing, a U.S. Government negotiating team led by Ex-Im Bank and the Department of the Treasury negotiated an agreement in the Organization for Economic Cooperation and Development (OECD) that curtails the use of trade-distorting tied aid. Treasury and Ex-Im Bank's implementation of the OECD tied aid rules has produced dramatic results for U.S. exporters. We have succeeded in reducing tied aid offers from about $10 billion annually in 1991 to $3.7 billion in 1998. Overall, from 1993-1998, cumulative foreign tied aid offers have been reduced by $35 billion. The overwhelming majority of remaining tied aid is for bona fide development projects that cannot be supported by commercial financing. U.S. exporters can now compete for most energy, manufacturing, and telecommunications projects without facing tied concessional financing from their competitors. Reducing tied aid by our foreign competitors and allowing U.S. exporters to compete fairly for contracts has resulted in a benefit to the U.S. economy estimated at an additional $1 billion of U.S. exports a year. We are, however, concerned about an over 40 percent increase in tied aid notifications in 1999 totaling $5.3 billion. Almost all of this increase is attributable to Japanese tied aid. Ex-Im Bank and Treasury are closely monitoring Japan's tied aid program for compliance with the OECD rules (see Trade Finance chapter).

Aggressively Expanding the Availability of Financing: U.S. Government negotiators led by Ex-Im Bank and Treasury successfully worked with other export credit agencies and the OECD to reach common standards and guidelines in a number of areas (e.g., exposure fees). In recent years, Ex-Im

Bank concluded a number of export financing agreements (Mexico, Venezuela, South Africa, Turkey) and launched initiatives (Brazil, Central America, Africa) that made financing available to several new countries, which were previously not served by Ex-Im Bank. In Africa, Ex-Im Bank expanded its financing for U.S. exports to 11 countries last year. In Vietnam, the President's April 1998 signing of a waiver of the Jackson-Vanik Amendment of the Trade Act of 1974 paved the way for Ex-Im Bank to open trade with that country. Ex-Im Bank has also reopened in India.

> "Ex-Im Bank is active in every region of the world, bridging trade gaps to markets affected by the Asian financial crisis, developing new partnerships in Latin America and China, and launching marketing initiatives in Africa that have combined to increase support for U.S. exports to near record levels of Ex-Im Bank financing. Our commitment to working Americans, their families, and the United States economy has never been stronger. In a rapidly changing and increasingly global world, Ex-Im Bank is ready to meet the challenges of the 21st century."
>
> James Harmon
> Ex-Im Bank Chairman

Winning Agreement of the World's Largest Exporting Countries to Criminalize Bribery: The OECD Antibribery Convention was signed in December 1997 and went into effect in February 1999. As of March 1, 2000, 20 of the 34 signatories had deposited their instruments of ratification with the OECD. Bribery is a critical issue for American exporters. Since 1977, the United States has had domestic legislation that criminalizes transnational bribery—the Foreign Corrupt Practices Act. Since 1994, we have learned of significant allegations of bribery by foreign firms in about 300 international contract competitions valued at $145 billion. Achieving comparable prohibitions in other developed countries has been a major priority of the U.S. business community, the U.S. Congress, and successive Administrations since the 1970s. Achieving this goal was possible only through the combined leadership of the Departments of State, Justice, Commerce, and the Treasury, with the strong support of the TPCC. The Departments of Commerce and State, in cooperation with these and other agencies, are preparing the second annual report to Congress on the implementation of OECD Antibribery Convention.

6. Lowering U.S. Export Costs With the U.S.-EU Mutual Recognition Agreement: The U.S.-European Union (EU) Mutual Recognition Agreement (MRA) that went into effect on December 1, 1998 could cut costs for U.S. businesses exporting to the European Union (EU) by more than $1.5 billion. Under the MRA: (1) the United States and EU are each

given the authority to conduct testing locally and to certify products based on the regulatory requirements of the other, and (2) each will recognize the tests, certificates, and approvals issued by the conformity assessment bodies of the other. This allows exporters on both sides to avoid the costs and delays of shipping their products overseas for testing and certification. The agreement covers six industry sectors for which EU testing and certification requirements represent significant non-tariff barriers—telecommunications, electrical, electronics, and aviation equipment; medical devices; pharmaceuticals; and recreational craft. United States and EU officials are planning to expand the coverage of the MRA to other industries.

7. Helping Double U.S. Environmental Technology Exports: Over the past five years, U.S. environmental technology companies have been increasingly successful at translating their technological leadership into exporting success, doubling their exports from $9.4 billion in 1993 to almost $19 billion in 1998. Export growth has been responsible for almost half of the overall growth of U.S. environmental industry revenues during the period, and supported nearly 69,000 new U.S. jobs. Working closely with the private sector and state and local partners, the TPCC helped to make this success possible. In 1993 the President directed federal agencies to develop a strategy to expand the international competitiveness of the U.S. environmental technologies industry. With this mandate, the TPCC Environmental Trade Working Group developed the Environmental Technologies Export Initiative to help U.S. companies enhance their international competitiveness and increase their exports to the burgeoning environmental technologies market. Commerce created the Environmental Technologies Exports Office, established a team of U.S. and overseas environmental trade specialists, and coordinated aggressive interagency advocacy efforts. The Environmental Protection Agency helped build the institutions that fuel foreign demand for U.S. technologies. Ex-Im Bank, OPIC, and TDA provided critical financing and insurance to level the playing field. Other agencies, like USAID and the Department of Energy, used training programs to enhance awareness of U.S. technologies.

8. Reducing Government-Imposed Obstacles to Exporting: One of the key goals set out by the TPCC in 1993 was the removal or reduction of unnecessary and outdated government-imposed obstacles to U.S. exports at home and abroad. In accordance with our national security and foreign policy interests, the Administration has significantly liberalized controls over the last seven years on sectors such as encryption, high performance computers, and telecommunications equipment, while streamlining the export control process. Given the shortened list of goods requiring dual use export licenses, we approved 9,500 applications in 1999, down from 21,000 in 1993.

9. Pioneering Efforts to Better Serve Underserved Communities: To help expand the number of small businesses that export, a number of TPCC agencies have targeted underserved communities. In 1997, the Department of Commerce piloted the Rural Export Initiative (REI) to provide export services to rural exporters, utilizing state-of-the-art technologies.

Global Diversity Initiative Successes

GDI's aggressive outreach efforts, coupled with a solid base of information, yielded impressive results in its first year. Over 120 companies have gone through GDI training. For example, Valley of the Sun exported 30,000 units of hair and skin care products valued at $78,000 to the United Arab Emirates, and MYCOM North America exported an industrial refrigeration compressor worth $60,000 and $47,000 worth of spare parts for a refrigeration operation to Panama.

The success of the REI pilot led to the Global Diversity Initiative (GDI), launched in FY 1999, to assist minority firms. While GDI activities also utilize high-technology, much of the emphasis is on putting firms through a six-month training program to prepare them to sell their products overseas.

Ex-Im Bank has also targeted efforts to reach rural and women- and minority-owned firms through its program for underserved communities. Ex-Im Bank helps provide financing to these firms when private-commercial financial institutions are unable or unwilling.

10. Building New Partnerships with States and the Private Sector: The TPCC agencies have developed a number of partnerships to leverage scarce resources, complete the line of export promotion services needed by exporters, and encourage the private sector to take on more export promotion and financing activities.

States and Cities: The TPCC's new partnership with the National Governors' Association has increased the coordination of state and federal trade missions. The TIC now hosts a web site designed to help governors plan their trade missions. Most of Commerce's EACs are co-located with state or local counterparts with whom they coordinate strategic planning. The Foreign Agricultural Service is piloting a number of state-regional export assistance offices with excellent results. Ex-Im Bank has expanded its city/state partnership program to include 38 states. OPIC recently signed memoranda of understanding with California and Dallas-Fort Worth to help their companies take advantage of OPIC programs.

Public-Private: The Department of Commerce's Market Development Cooperator Program has built public-private partnerships with states, trade associations, and other non-profits. By underwriting the start-up costs of new marketing ventures, this program has helped generate $952 million in exports since 1997. The Department of State's new Award for Corporate Excellence highlights the important role U.S. businesses play abroad to advance ethical practices and democratic values. This year's winners were Xerox and F.C. Schaffer and Associates.

11. Increasing the Focus on High-Level Trade Missions: To encourage interagency coordination of overseas trade events, TPCC heads have been including officials of other agencies in their missions. For example, in leading an interagency delegation to the Commercial Opportunities and Partnerships Conference in Southeast Europe last November, I was accompanied by OPIC President and CEO Muñoz, TDA Director Grandmaison, and Ex-Im Bank Vice President Miller. My February mission to Latin America included Deputy U.S. Trade Representative Fisher, OPIC Executive Vice President Robertson, Ex-Im Bank Board Member Weaver, and TDA Latin America/Caribbean Regional Director Angulo. In the aftermath of the Asian financial crisis, several TPCC agencies closely coordinated travel to the region to ensure a consistent and coherent U.S. Government message on the need for structural reform.

Given the active programs of other countries, there is a clear need for more high-level coordinated activity. For example, since 1994, Canadian Prime Minister Chrétien has led five export trade missions to advance Canada's exports. Between 200 and 500 Canadian companies have accompanied the Prime Minister on each of these missions, during which the Prime Minister advocated for Canadian companies competing for major projects and witnessed the signing of contracts. The five missions have facilitated approximately $15 billion in new business for Canada. The next mission is destined for China in November 2000.

12. Empowering Small Business to Pursue Trade Complaints: The Administration has established offices within the Commerce Department and the Office of the United States Trade Representative (USTR) dedicated exclusively to monitoring and enforcing trade agreements. TPCC agencies together created the Nation's first publicly accessible agreements database, available on the Commerce Department Trade Compliance Center's web site, TCC Online, at www.mac.doc.gov/tcc. TCC Online contains more than 250 bilateral and multilateral trade agreements and related market access information on over 90 countries. The web site also contains an online trade complaint form, which enables firms to quickly and easily file a trade agreement or market access complaint with TPCC agencies. This service has been particularly useful for small and medium-sized firms.

13. Quadrupling Working Capital Financing for Small Business:
Lack of working capital is one of the biggest barriers facing U.S. small businesses trying to export. Exporters often need working capital loans to pay for raw materials, labor, and overhead in producing goods for export. But local banks often are reluctant to make financing available to even creditworthy exporters. Since 1993, both Ex-Im Bank and SBA have worked to better address this problem by streamlining their working capital guarantee programs to make them more customer-focused and to take advantage of each agency's strength. Toward this end, the agencies have developed similar applications, accompanying documentation, and underwriting standards and have expanded the number of financial institutions under delegated authority programs. Ex-Im Bank and SBA have also implemented marketing efforts to attract more exporters and financial institutions. The result has been a dramatic increase in the value of exports supported. From FY 1993 to 1999, exports supported by the two Working Capital Guarantee Programs increased 372 percent (from $475 million to $2.2 billion).

14. Synchronizing the National Export Strategy Report With the President's Budget: This year, the TPCC has embarked on a new process for advising the Office of Management and Budget and reporting to Congress to fulfill its mandate to make recommendations to the President on the export promotion budget. For the first time, the TPCC is presenting the National Export Strategy at the same time the Administration is presenting its FY 2001 budget. The new process improves our ability to coordinate our initiatives, leverage our resources, and better serve the TPCC agencies, the Administration, and the Congress.

15. Establishing Strategic Alliances Between International Small Business Organizations: SBA has established arrangements with sister agencies in five nations to reciprocally promote international trade among small businesses. These arrangements have resulted in trade missions over the past 18 months to Ireland, Mexico, Canada, and South Africa. The South African mission resulted in multiple letters of intent and, at last count, $15 million in contracts. SBA is negotiating strategic alliances with sister agencies in other markets which are hospitable to U.S. small business. To enhance the impact of these alliances, SBA is prototyping an Internet-based registration system (known as TM Online), which enables SBA to provide U.S. companies that register both international trade leads and access to potential small business trading partners.

National Export Strategy for FY 2001

This is the first National Export Strategy that presents a comprehensive picture of the Administration's priority export promotion budget initiatives. This year's strategy builds on the accomplishments of the past seven years, ensuring that our exporters, large and small, take full advantage of the new economy and of America's market opening initiatives.

The new process enables me to deliver the National Export Strategy Report to the Congress in March (instead of September) as a true joint presentation of the Administration's export strategy alongside the President's budget released in February. Through this process, TPCC agencies are empowered to identify strategic priorities expected to be critical to our exporters and our national economy in 2001, and then, based on these priorities, develop and coordinate their relevant budget proposals as part of a coordinated National Export Strategy. In the process, the TPCC has been better able to avoid duplication and leverage scarce resources. Agencies will for the first time be able to use the Report to promote their initiatives to Congress.

Our 2001 strategy will dramatically enhance our monitoring and enforcement capability to ensure our goods and services have every opportunity in world markets. It sets out a plan to marshal our trade financing resources to help exporters confidently face fierce international competition and to penetrate attractive, but risky, overseas markets. The strategy brings to bear the full force of E-commerce and our network of overseas and domestic offices to draw opportunities in distant markets closer for our small companies and underserved communities. We have developed strategies to promote our world-class environmental technology sector. And we plan to take steps to ensure that our exporters are well-positioned to enter the Chinese market.

> "It is a mistake to believe that attaching a commercial element to our foreign policy would be a comprehensive commercial strategy. Instead, export promotion agencies such as TDA, Ex-Im Bank, and Commerce must be provided the President's request for their core program budgets to achieve their commercial mandates. These programs can only be a success if adequate funding is given so that high-potential markets—rather than foreign policy hot spots or countries hit with a disaster—can be effectively targeted. Furthermore, if U.S. companies are to remain competitive, there is a need for our Government to support American businesses overseas just as our economic competitors support their companies.
>
> "Of course we stand ready and able to assist in advancing our nation's foreign policy—that is not the issue. With adequate funding, these interests would not supplant our primary export promotion mission. With the necessary resources, we can succeed in both objectives."
>
> J. Joseph Grandmaison, Director
> U.S. Trade and Development Agency

These initiatives can unlock the full potential of our economy by enlisting the participation of a wider circle of firms, workers, and communities—helping to spread the benefits of growth more evenly across our population.

Highlights of the TPCC Budget

Presidential Initiatives

Trade-Related Aspects of the President's Initiatives for Manufacturing

The Administration is proposing a series of initiatives that will strengthen U.S. manufacturers, workers, and communities and keep manufacturing a vital part of the U.S. economy.[3] Specific trade-related elements of these initiatives[4] are as follows:

Expanding Trade Promotion and Financing

> For Ex-Im Bank, the initiative provides a $215 million (includes $15 million for the President's International Clean Energy Initiative) increase—a 26.5 percent increase over FY 2000. The increase in funding will allow Ex-Im Bank to absorb higher international lending costs resulting from the financial crises around the world.
>
> For the Commerce Department, the initiative includes an $11.6 million increase to develop next-generation trade promotion programs and services to help small manufacturers find markets abroad through the Internet—an export adviser on every desktop. The initiative will streamline the export process through an Internet-based infrastructure and increase the number of smaller manufacturers that export, as well as the dollar value of exports from those firms that currently sell abroad.

Strengthening Monitoring and Enforcement of Trade Agreements

The President's FY 2001 budget proposes to increase, by $22 million, funding for most of the agencies that enforce our trade laws and monitor and ensure our trading partners' compliance with trade agreements. More than 100 full-time-equivalent staff would be added to trade agreement monitoring and enforcement activities.

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[3] In addition to the trade-related initiatives, the President's initiative includes an increase of almost $3 billion in the "21st Century Research Fund" to support advances in manufacturing, $30 million in matching grants to states to upgrade the skills of the manufacturing workforce, a tripling of funding to strengthen science and math preparation of technicians, a $35 million increase in economic adjustment assistance, and $39 million to reform and expand trade adjustment assistance.

[4] Initiatives also include $1.4 million for the Census Bureau to improve its ability to count goods exports which they estimate are currently being undercounted by 3 to 7 percent.

For the Commerce Department, the initiative would increase by 25 percent the number of personnel for trade compliance, and focus on: strengthening the International Trade Administration's ability to support USTR's enforcement of U.S. rights under the WTO Uruguay Round agreements that come into effect in 2000; doubling resources dedicated to Import Surge Monitoring and Expedited Investigations; more than doubling resources dedicated to China trade compliance; doubling resources dedicated to Japan trade compliance; increasing resources for ensuring compliance by the EU and other countries; creating a Trade Law Technical Assistance Center; and establishing, with the State Department, an Overseas Compliance Program to strengthen our capacity to gather information "on the ground" in foreign countries and facilitate the investigation of trade agreement violations.

For USTR, the initiative would create new positions to strengthen our legal, economic, geographic, and sectoral expertise devoted to monitoring and enforcement of trade agreements.

For USDA, the President's budget calls for providing additional resources to USDA to bolster its legal and technical expertise in areas covered by trade agreements and U.S. trade law, including food safety and biotechnology.

International Clean Energy Initiative

The $300 billion global energy infrastructure market (including oil and gas) represents lucrative opportunities for U.S. companies in the clean energy sector. To create as much as $5 billion in new clean energy export revenues for U.S. companies and high-value jobs, and promote global sustainable development, President Clinton is proposing the Clean Energy for the 21st Century Initiative—a $200 million multi-agency effort including $103 million increased funding. Key export promotion components of this initiative include:

TDA will dedicate $5 million in feasibility studies and technical assistance to help energy sector project sponsors prepare presentations to promote the implementation of commercially viable energy efficient projects.

The Commerce Department's $4 million initiative will conduct extensive trade promotion events, technical conferences and seminars, and other activities to increase clean energy and environmental technologies exports and help emerging markets improve their regulatory framework and technological expertise.

OPIC will use $1.2 million to enhance its environmental and labor monitoring capability. OPIC's project monitoring responsibilities are ballooning—from 112 projects to monitor in 1995 to a projected 696 in FY 2001.

Ex-Im Bank and the Government of China, along with the U.S. Department of Energy and the China Development Bank, will use a $100 million facility signed last year to further China's purchase of renewable energy, clean coal, and energy efficiency projects. Ex-Im Bank is also pursuing clean energy in India under a Memorandum of Understanding with the Power Finance Corporation.

Additional Agency Budget Initiatives

Small Business

In addition to the small business programs announced as part of the President's Initiatives on Manufacturing (Internet and Ex-Im Bank funding), the Administration has a number of other initiatives that will greatly enhance agencies' abilities to help small businesses to export.

For the Commerce Department, the Administration's budget calls for an adjustment to the U.S. and Foreign Commercial Service's (US&FCS) base funding—$11.7 million in FY 2001—to prevent a backsliding of the Administration's ability to help SMEs enter and compete in foreign markets.

The Administration also requests for Commerce $4 million to help underserved communities take advantage of the large market in cultural tourism. The Commerce Department will select 10 pilot sites and work with these communities to design and implement a strategy to increase tourism.

For SBA, the Administration has requested $3.5 million to help keep SBA staff in all 19 USEAC locations nationwide, providing trade finance services and programs and technical assistance and counseling, particularly for small new-to-export firms.

Trade Finance

In addition to the increase in Ex-Im Bank funding discussed as part of the President's initiatives on manufacturing, the President's budget includes a number of other initiatives related to trade finance:

OPIC is focusing its efforts on raising the awareness of American businesses about investment opportunities in Africa. OPIC will be launching a new investment fund to match U.S. businesses with investment opportunities in Southeast Europe. As part of a coordinated Administration emergency relief effort, OPIC is launching a new initiative to mobilize U.S. private investment in Central America as it rebuilds after Hurricane Mitch, including a regional on-lending facility that will assist U.S. sponsored private investment.

USDA will further expand the availability of its export credit guarantee program for consumer-ready products and provide support for the financing of infrastructure needed in emerging markets necessary to expand U.S. exports of agricultural products.

Conclusion

It has been my privilege to serve since the beginning of 1997 as the 32nd Secretary of Commerce. With all of my varied responsibilities, I can say without hesitation that one of my proudest has been the role that the Department of Commerce plays in supporting U.S. economic strength by promoting U.S. exports. The TPCC has been fundamental to accomplishing this goal. Building on the accomplishments of my predecessors, Secretaries Ronald H. Brown and Michael Kantor, we have been able to build the TPCC into what it is today—an effective mechanism for forging improved relationships, program coordination, and strategic vision.

I noted at the outset of this letter that the Administration can duly point to a remarkable record as caretaker of the economy. We all recognize that our economy's success in creating 21 million new jobs has been primarily the achievement of the private sector—our businesses, farmers, and workers. The TPCC has had a profound effect in helping to translate American productivity and ingenuity into sales abroad and jobs at home. Through the TPCC, we are pledged to addressing the needs of the exporter and, ultimately, the welfare of American people.

William M. Daley

Strategy for FY 2001

Free and Fair Trade

Ensuring Free and Fair Global Market for U.S. Goods and Services

TRADE COMPLIANCE BUDGET INITIATIVE FOR FY 2001

The President's Trade Compliance Initiative: The Initiative would increase by $22 million the resources of agencies that monitor and enforce our trading partners' compliance with trade agreements.

Commerce Department:

- $16.2 million would enable Commerce's Import Administration (IA) and Market Access and Compliance (MAC) units to more intensively monitor trade agreements compliance.

  IA will use $9.9 million to:
  - Participate in the Overseas Compliance Program* to vigorously enforce U.S. trade law, particularly antidumping and countervailing duty verification;
  - Enhance its study and evaluation of the trade practices of China and Japan;
  - Monitor import surges and expedite antidumping and countervailing duty investigations;
  - Create a trade law assistance center to help companies use U.S. trade laws.

  MAC will use $6.3 million to:
  - Participate in the Overseas Compliance Program* to increase the effectiveness of U.S. monitoring and compliance of trade agreements;
  - More than double personnel dedicated to China's compliance;
  - Double personnel dedicated to Japan's compliance;
  - Tackle non-tariff barriers in Europe and monitor WTO member accession agreements;
  - Support a new WTO round and enforcement of agreements previously negotiated.

State Department:

- As a partner in the Overseas Compliance Program*, the State Department will use $3 million to expand and improve the training of Economic Section embassy staff dedicated to the monitoring of trade agreements.

United States Trade Representative:

- The Initiative seeks $1.3 million in new funding to strengthen USTR's ability to pursue a two-track strategy of negotiating good, smart, agreements, and ensuring that the terms of those agreements are fulfilled. The initiative would create new positions in four areas of expertise—legal, economic, geographic, and sectoral, to be devoted to monitoring and enforcing trade agreements.

U.S. Department of Agriculture:

- The Administration requests $1.5 million to enable USDA to bolster its legal and technical expertise in areas covered by trade agreements and U.S. trade law, including food safety and biotechnology. USDA's Foreign Agricultural Service monitors implementation of Uruguay Round agricultural trade liberalization, participates in negotiations with countries seeking to accede to the WTO, and is active in the interagency process that develops U.S. proposals in the ongoing WTO work program leading to multilateral harmonization of rules of origin.

* The Overseas Compliance Program is a joint effort of the Commerce Department and State Department, drawing on the strengths and responsibilities of each agency. The Program seeks to establish a specialized overseas contingent of trade experts devoted to monitoring compliance with international trade obligations and supporting enforcement of U.S. trade laws, such as those involving market access issues, subsidies, dumping, and other unfair trade practices.

Free and Fair Trade

Ensuring Free and Fair Global Markets for U.S. Goods and Services

President Clinton is committed to building a rules-based trading system in which international trade is both free and fair. As the volume of world trade and investment expands and more countries enter into multilateral and bilateral trade agreements with the United States, the President believes it is necessary to strengthen the federal government's capacity to ensure that our trading partners comply with these agreements and that American businesses, workers, and farmers can capitalize fully on the rights and opportunities created by them.

> **"Let me state firmly: compliance and enforcement of existing agreements is our first priority. We will not tolerate weakening of existing agreements or stepping back from commitments."**
>
> William M. Daley,
> Secretary of Commerce

In the past year, we have witnessed four critical events that have redefined the public debate on the significance of international trade to America's economic well-being: the Asian financial crisis and the ensuing record high U.S. trade deficit, the steel import crisis, the U.S.-China deal on World Trade Organization (WTO) accession, and the WTO talks in Seattle. In this setting, it is critical that we are able to show to the world, and especially our own public, a system that ensures that we are getting the full benefits from our trade laws and agreements.

Our exporters face a complicated and changing world. The Chinese economy is in the midst of a transition from many years of socialist orientation to a mixture of public and private enterprise. We must strengthen our ability to enforce China's compliance with its WTO commitments when and if it becomes a member. We need to be prepared for the WTO accession of key markets and to back up our Near East peace process and Africa development programs with a strong commercial element. U.S. firms frequently encounter barriers to trade in Japan. The United States has already signed a number of agreements with Japan, but much work still needs to be done to enforce these agreements. As the European Union (EU) has moved to a single market, and then to monetary integration, new forms of market access problems have developed for American suppliers, especially in key industries such as biotechnology, electronic commerce, and energy services. We must be prepared to help our exporters confront and overcome these challenges.

Although a new WTO round was not launched last December, a renewed emphasis was placed on implementation of previous agreements and efforts to develop a comprehensive agenda that will set the global framework for the 21st Century. The U.S. vision for a successful new trade round is the same as before Seattle. A successful new round must:

- Bring down barriers in agriculture, with a focus on eliminating export subsidies and lowering and binding tariff rates for agricultural products;
- Have a tariff liberalization component for manufactured goods, taking maximum advantage of far-reaching proposals put forward in the Asia Pacific Economic Cooperation forum (APEC) context;
- Ensure that services regimes are further liberalized;
- Keep the WTO relevant for cutting-edge technologies such as E-commerce and biotechnology;
- Foster greater transparency and accountability throughout WTO instruments, including those related to government procurement and customs operations, in order to facilitate international trade;
- Ensure that trade will lift living conditions for working people everywhere while protecting the environment; and,
- Achieve in a WTO which is more open and accessible to all citizens around the world.

Moreover, in 2000, the WTO has already initiated the “mandated negotiations” in agriculture and services, which will require additional resources to ensure that U.S. farmers and services industries obtain significant new improvements in market access through the WTO. These demands will quickly outstrip our resources unless we commit to meeting the challenge.

FY 2001 Initiative

The President’s Trade Compliance Initiative

The President’s FY 2001 budget proposes to increase by $22 million the resources of agencies that monitor and enforce our trading partners’ compliance with trade agreements. The new initiative would increase funding for most of the agencies with responsibility for trade agreement compliance and administration of U.S. trade laws, including the Commerce Department’s International Trade Administration (ITA), the Office of the U.S. Trade Representative (USTR), the Department of State, and the Department of Agriculture (USDA). More than 100 full-time-equivalent staff would be added to trade agreement monitoring and enforcement activities.

Commerce Department

The new initiative would enable the Commerce Department to intensify and broaden its monitoring of trade agreement compliance by augmenting ITA's country, region, and WTO staff. It would also enhance its ability to detect and monitor import surges, expedite urgent dumping and countervailing duty cases, and create a technical assistance center to help those who have neither the expertise nor the resources to make use of our trade laws.

- Monitoring WTO Compliance: This initiative would strengthen ITA's ability to support the enforcement of U.S. rights under the Uruguay Round agreements. Many members' obligations are scheduled to come into effect in 2000. These include obligations relating to intellectual property, investment measures, and customs valuation. The terms of accession to the WTO by the many applicants expected to join the WTO in the next few years, including Taiwan, Russia, Ukraine, and Saudi Arabia, also must be monitored. As part of this initiative, additional staff would actively engage in WTO committee work in monitoring agreements and assist in dispute settlement cases involving statutes administered by Commerce, such as those related to dumping and subsidies.
- Doubling resources dedicated to Import Surge Monitoring and Expedited Investigations: Under this initiative, the Department would double the number of trade analysts devoted to monitoring import surges and increase by 25 percent the number of analysts working on expedited dumping and countervailing duty cases. These initiatives will significantly cut the time it takes to prepare a trade case and provide expedited relief to industries that are most affected by import surges and price declines.
- Significantly increase resources dedicated to China trade compliance: The Department would more than double the number of compliance officers in Washington devoted to China to ensure effective enforcement of China's WTO accession commitments and other bilateral trade agreements. In addition, the Department would establish an office devoted exclusively to dumping cases involving Chinese products. Currently there are over 40 dumping cases on China—the second largest of any country. This number is expected to rise.
- Almost double resources dedicated to Japan trade compliance and increasing resources for ensuring compliance by the EU and other countries: The President's budget would enable the Department to almost double the number of trade analysts and compliance officers in Washington devoted to Japan and greatly increase the number of analysts working on Japanese dumping cases. In addition, the budget calls for adding resources for monitoring and compliance activities focusing on the EU and the rest of the world.

- Creating a Trade Law Technical Assistance Center: The cost of filing trade cases can be prohibitive for many small businesses and unions. This proposal would create a new capacity in the Commerce Department to assist those who lack the resources or expertise to understand and exercise their rights under U.S. trade laws. The initiative would establish a formal pre-petition counseling office in Washington and triple the number of analysts currently devoted to this task. These offices would provide guidance on available trade remedies and on the collection of data necessary to develop cases under U.S. trade law and under U.S. trade agreements. They would pay particular attention to helping small and medium-sized firms and unions.

Commerce and State Department Overseas Compliance Program

The new Overseas Compliance Program would establish a specialized overseas contingent of trade experts devoted to monitoring compliance with international trade obligations and supporting enforcement of U.S. trade laws, such as those involving market access issues, subsidies, dumping, and other unfair trade practices. The State Department would expand and improve the training of Economic Section embassy staff dedicated to monitoring compliance with trade agreements. The Commerce Department would place trade law and trade agreement compliance specialists in embassies, as well as dispatch from Washington teams of compliance experts to countries where particular problems arise. By strengthening our capacity to gather information "on the ground" in foreign countries, this initiative would help American businesses make the most of market access opportunities and facilitate the investigation of trade law violations.

United States Trade Representative

The Administration has negotiated nearly 300 trade agreements since 1992, and has delivered important opportunities for U.S. workers, farmers, and businesses in the global economy by opening foreign markets. The United States also has been the most frequent user of the WTO dispute settlement mechanism, obtaining favorable results so far on 23 of the 25 complaints that have been acted upon. The additional resources sought for USTR will strengthen its ability to pursue a two-track strategy of negotiating good, smart agreements, and ensuring that the terms of those agreements are fulfilled. This initiative would create new positions in four areas of expertise—legal, economic, geographic, and sectoral—to be devoted to monitoring and enforcement of trade agreements. For example, professional staff would be distributed to areas of growing significance for trade agreement enforcement and negotiations among the following organizational units: General Counsel,

Monitoring Labor Law

In conjunction with its international programs and focus on international labor, the Department of Labor has included in its FY 2001 budget request $4.3 million for monitoring and reporting on the implementation of labor laws in foreign countries. The research compiled would help determine where to target resources and technical assistance programs. The information would also be used in implementing worker rights provisions contained in trade agreements.

including the Monitoring and Enforcement unit; Economic Affairs; China; WTO and Multilateral Affairs; Asia and the Pacific; Agriculture; Services and Intellectual Property Rights; and Geneva. This initiative would increase resources substantially from their limited existing strength.

Trade agreement enforcement requires adequate staff in USTR's Office of the General Counsel and its Monitoring and Enforcement unit, the Office of Economic Affairs, and the geographic and functional offices of USTR. The legal staff investigates, prosecutes, and defends cases before the WTO and NAFTA (North American Free Trade Agreement) and administers and enforces U.S. trade laws such as Section 301, Special 301, Section 201, the Generalized System of Preferences (GSP), and trade laws relating to intellectual property, government procurement, and telecommunications. The economists analyze the economic effects in support of enforcement cases and present the economic aspects of cases being litigated in the WTO. The geographic offices have country and regional expertise (Africa, Asia-Pacific, China, Europe and the Mediterranean, Japan, and the Western Hemisphere), and the functional offices have sectoral expertise (agriculture, intellectual property, services, investment [including export performance requirements], environment, labor, and industries such as telecommunications, aircraft, autos, textiles, and steel). The Office of Multilateral Affairs coordinates interagency views in providing guidance for U.S. representatives to the WTO and the Organization for Economic Cooperation and Development (OECD).

Department of Agriculture (USDA)

The President's budget calls for providing additional resources to USDA to bolster its legal and technical expertise in areas covered by trade agreements and U.S. trade law, including food safety and biotechnology. USDA's Foreign Agricultural Service (FAS) monitors implementation of the Uruguay Round's agricultural trade liberalization provisions and works with USTR to ensure compliance when problems are identified. It also participates in negotiations with countries seeking to accede to the WTO and as part of the interagency negotiating team for the WTO rules of origin harmonization work program.

Priority Ongoing Initiatives in FY 2000

Anti-Corruption Initiatives

OECD Antibribery Convention: Implementation and Monitoring

On February 15, 1999 the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions entered into force. As of March 1, 2000 the 20 countries that had submitted their instruments of ratification to the OECD were: Australia, Austria, Belgium, Bulgaria, Canada, Czech Republic, Finland, Germany, Greece, Hungary, Iceland, Japan, Korea, Mexico, Norway, Slovakia, Spain, Sweden, the United Kingdom, and the United States. Parties to the Convention must criminalize bribery of foreign public officials. The Convention is aimed at proscribing the activities of those who offer, promise, or pay a bribe. For this reason, the Convention is often characterized as a "supply side" agreement, as it seeks to change the conduct of companies in exporting nations and not to penalize the bribe recipient. The definition of "foreign public official" provides coverage for the bribery of many individuals exercising public functions, including officials of international organizations. It also captures business-related bribes to such officials made through intermediaries, as well as those bribes that corrupt officials direct to third parties.

The Convention's effectiveness for reducing bribery will be constrained until all signatories, particularly the major exporting countries, have implemented the Convention's provisions. The Clinton Administration, therefore, has urged signatories to complete their ratification procedures and begin enforcing the Convention. U.S. Government representatives from the State, Commerce, and Justice Departments, assisted by the Treasury Department and the Securities and Exchange Commission, participate in the OECD Working Group on Bribery, which reviews the implementation of the Convention by all of its signatories. Currently, the Working Group is undertaking Phase I of the OECD monitoring process, which consists of evaluating each country's implementing legislation of the Convention. During Phase II of the monitoring process, the Working Group will engage in on-site visits to capitals to examine the enforcement mechanisms of each country's laws.

Apart from participating in the monitoring process of the OECD, the United States has established its own monitoring process to track implementation and enforcement of the Convention. In 1999, the Commerce and State Departments coordinated the preparation of the first of six Congressionally mandated annual reports on the implementation of the Convention and the development of initiatives to intensify monitoring of the Convention over the longer term. The first reports delivered to Congress in July 1999 can be viewed at the Commerce and State Departments' respective web sites (see text box).

Overall, we have been encouraged by the seriousness with which signatories are approaching implementation of the Convention. However, a few key exporting countries, such as France, Italy, and the Netherlands, representing almost 20 percent of OECD exports, still need to

Public Information on Bribery

U.S. Government agencies maintain several Internet web sites with detailed information on the Convention, relevant U.S. laws, and other information on the U.S. efforts to combat bribery. These sites include:

Office of the Chief Counsel for International Commerce, Department of Commerce at: **www.ita.doc.gov/legal;**

Market Access and Compliance, Department of Commerce at: **www.mac.doc.gov/tcc; ,** which includes a "Bribery Hotline" for reporting allegations of bribery;

Department of State at:
www.state.gov/www/issues/economic/

Department of Justice at:
www.usdoj.gov/criminal/fraud.html

complete the ratification process and enact domestic implementing legislation. A number of countries that have ratified, including Japan and the United Kingdom, have not yet adequately implemented and enforced the provisions of the Convention. Finally, a few countries also have not yet acted to disallow tax deductions for bribes to foreign public officials. Because of the importance of this issue, the United States has been giving increased attention bilaterally and multilaterally to assessing the signatories' legislation on tax deductibility and encouraging effective implementation of this commitment.

The Departments of Commerce, State, Treasury, and Justice, working with other U.S. agencies, have increased diplomatic and other public initiatives in support of the Convention. Senior officials have urged rapid and effective implementation of the Convention in their meetings with foreign government officials and in other fora. U.S. diplomatic missions are effectively participating in the monitoring process and engaging foreign governments in a dialogue on key bribery-related issues.

The OECD also has been examining issues relevant to strengthening the Convention. Two issues are of particular importance to the United States: acts of bribery in relation to foreign political parties and advantages promised or given to any person in anticipation of that person becoming a foreign public official. However, most signatories do not support any changes in the scope of the Convention's coverage at this time. We will continue to ensure that these issues remain on the agenda for further consideration.

Trends in International Bribery

United States firms continue to face bribery from foreign competitors in international competition for business. Bribery continues to be one of the most pernicious practices that our companies face from foreign competitors. Between mid-1994, when the OECD adopted antibribery recommendations, through April 1999, we have learned of significant allegations of bribery by foreign firms in 294 international contract competitions valued at $145 billion. U.S. firms are known to have competed for and lost at least 77 contracts during this period to foreign competitors offering bribes. The practice is global in scope, with 133 firms from 43 countries implicated in offering bribes for contracts in 96 buyer countries over the five-year period. About half of the bribe offers are for defense contracts. During May 1998-April 1999, we received allegations of bribe offers for international contracts worth $37 billion.

Clearly, bribery continues to be pivotal in many export competitions, with the alleged bribing companies winning the lion's share (an estimated 90 percent) of the contract decisions involving bribes. Most of the bribe-giving companies come from among the 29 OECD member nations, and a few foreign multinational firms consistently are alleged to be making the most bribe offers. Competitor firms from emerging economies are also a problem. Furthermore, since these figures represent only cases that have come to our attention, it is likely that the magnitude of the problem is much greater.

Anti-Corruption Efforts of International Financial Institutions to Increase Opportunities for U.S. Exporters

Corruption is a serious problem in many countries; it undermines economic growth by distorting the allocation of capital and discouraging private investment. Corruption makes financial systems vulnerable to crisis and to a collapse of public confidence. Corruption also can interfere directly with the ability of U.S. firms to secure contracts and exports to foreign countries. As part of a major Administration effort to ensure free and fair global markets, the United States has led initiatives to urge the International Monetary Fund (IMF), the World Bank, and the regional development banks to mount effective anti-corruption programs and to vigorously promote good governance in their member countries.

All of the international financial institutions have undertaken to increase monitoring and surveillance of their staffs and disbursement of their own financial resources to minimize fraud. The IMF has studied the impact of corruption on macroeconomic policy-making and financial institutions, and has incorporated anti-corruption in its economic evaluations and decisions on providing assistance. The World Bank and the regional banks have Board-approved good governance and anti-corruption strategies to improve their own transparency, and have begun to develop programs to assist countries to analyze their corruption problems. The World Bank also has begun to assist countries in adopting institutional reforms to promote integrity and prevent corruption.

These efforts include guidance to encourage appropriate deregulation to eliminate opportunities and incentives for corruption; privatization of state-owned enterprises that often were the most guilty of insider deals; financial sector reforms that include improved financial disclosure and supervision; customs and tax service reforms; and deepening the rule of law. All of these initiatives will increase efficient use of capital, promote stronger growth and investment, and create more open and attractive opportunities for American exporters to sell their goods and services abroad.

OECD Export Credit Group Initiative

Finally, we are working within the OECD Export Credit Group to reduce the scope of bribery in international export credit competition. The Export Credit Group is concluding a survey of current export credit agency practices and will begin mapping the results. As member governments share their practices, and improve them over time, the mapping process will allow all members to be advised of progress. The results will also provide a basis for negotiating measures to ensure that the financing provided by export credit agencies does not benefit a company that offers or receives bribes. Fully achieving the goal of eliminating bribery in international business transactions will be a long-term process.

Services

The United States is the world's premier producer and exporter of services. U.S. services exports more than doubled over the past ten years, rising from $117 billion in 1989 to $246 billion in 1998. In 1998, U.S. services exports exceeded imports by $83 billion (offsetting 33 percent of the U.S. merchandise deficit), despite relatively open access to U.S. markets. Looking to the future, the service sector looms even larger in the U.S. economy.

Special Initiative to Open Insurance Markets

In May 1998, Commerce Secretary Daley and the International Insurance Foundation signed a Memorandum of Understanding establishing the International Insurance Technical Assistance Partnership (IITAP). The IITAP promotes the development of open and competitive insurance markets in emerging economies through: **1)** education and training seminars for both foreign insurance regulators and supervisors and foreign private sector executives; **2)** regulatory framework advisory services to provide resident advisors to the foreign ministry responsible for insurance regulation; and **3**) industry research and analysis to maintain exposure to new ideas and new solutions to problems of insurance regulation and oversight.

Given the importance of this sector, TPCC agencies have moved aggressively to open overseas markets and eliminate regulatory barriers. The U.S. Government, with strong support from the U.S. service industries, led the international effort to complete the General Agreement on Trade in Services (GATS) in 1994, the first multilateral accord to broadly cover services trade. The North American Free Trade Agreement between the United States, Canada, and Mexico, also includes provisions on trade in services. Following the Uruguay Round, commitments were also made in telecommunications and financial services.

While the GATS established a framework for rules applicable to trade in services, the Uruguay Round negotiations did not bring about the kind of broad-based liberalization needed for open and competitive services trade. Many countries made only a limited number of specific commitments, frequently only "standstill" commitments, rather than expanded market access. Therefore, the U.S. Government has returned to the negotiating table with more than 130 countries to continue the work begun in the GATS. Negotiations with acceding countries ensure broader sectoral coverage and specific commitments in new members' schedules.

The New GATS Round: The new GATS round offers an excellent opportunity to liberalize trade in services by expanding market access and broadening and deepening services commitments made by WTO members—the kinds of changes necessary to create a fair and favorable international business climate for services. Specific goals of the United States in the new Round include:

- Improvements in the schedules of specific country commitments in each of the 150 or so services sectors and sub-sectors;

- Increasing the number of industry sectors listed in each country's schedule, extending coverage of commitments to all segments of the sector;
- Promoting fairness and transparency in regulation, while ensuring the ability of regulators to meet legitimate objectives;
- Promoting increased transparency among all WTO countries (i.e., publishing of rules and regulations and providing an opportunity for companies and governments to comment);
- Avoiding restrictions on the development of new technologies for use in delivering services (e.g., colleges that can operate over the Internet, home entertainment products delivered by satellite, and healthcare services delivered via telemedicine);
- Preventing discrimination against particular methods of delivering services, such as electronic commerce and the right of establishment.

Outside of GATS

We are renewing efforts in a number of other multilateral fora to strengthen framework rules and national commitments on market access for services produced by American suppliers. Fora include the Free Trade Area of the Americas (FTAA), APEC, TransAtlantic Economic Partnership (TEP), and the OECD. At the same time, we continue to pursue bilateral negotiations dealing with specific service sectors, such as open shipping in the maritime sector.

Transportation Initiatives

For the new millennium, the Department of Transportation will advocate for an even more open aviation system—one that is based on plurilateral and multilateral agreements among groups of like-minded countries. This approach builds on the successful conference "Aviation in the 21st Century—Beyond Open Skies" hosted by Transportation Secretary Rodney Slater in Chicago in December 1999. At this conference, aviation ministers and other leaders representing over 90 countries discussed future challenges and opportunities facing international aviation.

The Transportation Department is also working with its TPCC partners to break down barriers in the transportation services sector. The rapid growth and importance of Internet commerce has prompted Transportation to focus on facilitating the smooth flow of goods and services internationally in its government-to-government negotiations. The revolution in E-commerce has required the world transportation community to completely rethink the issue of global freight logistics. The delivery of goods and services on time and within tight time deadlines has become a preeminent concern for the global business community. Same-day and next-day delivery services dictate investment in transportation infrastructure as a requisite ingredient of the new global trading system. E-commerce delivery still requires transportation to move products from the warehouse to consumers.

Minimizing the Impact of Section 301 Retaliation Actions on U.S. Business

Over the last two years, there has been a significant increase in the need to develop retaliation lists. These lists are critical for consideration by the Administration in the enforcement of U.S. trade law, notably Section 301. Development of these lists is a major responsibility of the Trade Development unit of ITA, given this unit's unique economic, trade, and industry analytical capabilities. ITA goes to great pains to ensure that these lists minimize harm to domestic companies and consumers while maximizing leverage with the foreign country—a task which has become more and more demanding in an increasingly globalized economy.

The development of the lists and the monitoring of their effectiveness can have a substantial impact on the U.S. economy and domestic industries. ITA continues to work with the U.S. business community regarding potential retaliation actions. In conjunction with ITA's Internet initiatives for small companies (see "Push Technologies" in the Small Business chapter), U.S. businesses will soon be able to register on an ITA web site and receive automatic e-mails when USTR announces a potential retaliation action—in time for companies to provide public comments.

Trade Finance

TRADE FINANCE BUDGET INITIATIVES FOR FY 2001

Under the President's Initiatives for Manufacturing

- The Administration is seeking an increase of $215 million in Ex-Im Bank funding (includes $15 million for the President's International Clean Energy Initiative) for FY 2001. This program will help Ex-Im Bank absorb higher international lending costs resulting from financial crises around the globe, keep trade-financing resources in the hands of small businesses, and provide the necessary stimulus for export sales in large, high-risk markets now recovering from the global financial crisis. Furthermore, this Initiative provides Ex-Im Bank with the necessary resources to respond to the shift in export credit competitiveness facing U.S. companies.

Africa (program budget initiatives not tied to specific FY 2001 funding requests)

- Sub-Saharan Africa continues to be a leading foreign policy priority. OPIC has a unique role to play in the delivery of U.S. assistance to this region as the only U.S. agency responsible for supporting private U.S. direct investment in developing countries/regions. Currently, OPIC supports nearly $1.2 billion in projects that provide important economic development benefits to 20 African countries. In FY 2001, OPIC will renew its emphasis on Africa as an important American foreign policy and development priority.

Southeast Europe (program budget initiatives not tied to specific FY 2001 funding requests)

- As part of the Administration's effort to help rebuild and bring stability to Southeast Europe, both OPIC and TDA are increasing their activities in the region through the establishment of a joint office in Zagreb. This combined effort is helping to fund needed infrastructure improvements and attract investment to the region. OPIC is currently focusing on business development efforts in the Balkans and on developing an investment fund that will promote growth in the region.

Central America (program budget initiatives not tied to specific FY 2001 funding requests)

- By helping to mobilize U.S. private sector investment, OPIC has been a key player in the coordinated Administration effort to facilitate long-term economic development in the region. Emphasis will be on infrastructure, manufacturing, tourism, energy, agriculture, and housing. OPIC expects its intensified business development efforts in the region to lead to finance and insurance commitments in FY 2000, 2001, and beyond.

Under the President's International Clean Energy Initiative (discussed in the Environmental Technology Chapter)

- To support U.S. clean energy equipment and services exports, the Administration has asked for $15 million for Ex-Im Bank and $5 million for TDA to help U.S. companies meet increased global demand for financing.

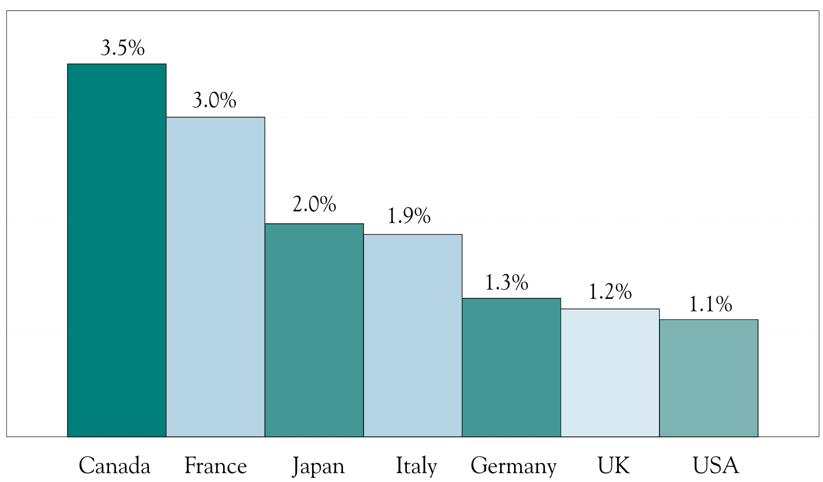
Trade Finance

TPCC trade finance agencies play a critical role in leveling the playing field with our competitors and in helping exporters penetrate high growth—but high risk—markets where financing would otherwise be unavailable. They hold the key to opportunity for U.S. exporters in the fastest growing markets around the world. These agencies need the resources to meet demand for export financing in an uncertain international marketplace and to counter our competitors' efforts to give their exporters the advantage. These agencies also play a key role in helping small businesses get the financing they need to export (see Small Business chapter).

The International Monetary Fund (IMF) projects that the large group of markets defined as "developing countries" will grow almost twice as fast as the "advanced countries" (mainly the United States, Western Europe, and Japan) in 2000 (4.8 percent vs. 2.7 percent). Moreover, imports in the developing countries are expected to grow at a rate of 7.2 percent, outpacing an expected import growth rate of 5.9 percent in the advanced countries.

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

As a Percent of Total National Goods Exports - 1998



Source: Export-Import Bank of the United States

Given the projected acceleration of growth in the emerging markets, U.S. firms and workers have a lot at stake. This growing stake is reflected in export data. Since 1993, the share of total U.S. exports to advanced markets such as the European Union (EU) and Japan has been flat or declining[1]. During the same period, the share of total U.S. exports to many emerging markets like Mexico and Central and South America has risen substantially.[2]

1 The share of total U.S. exports to the EU was 21.2% in 1993 and 21.9% in 1999. The share of total U.S exports to Japan was 10.5% in 1993 and 8.3% in 1999.
2 The share of total U.S. exports to Mexico and Central and South America has grown from 17.2% in 1993 to 21.3% in 1999.

Our exporters face increasingly fierce competition from our major trading partners in these emerging markets. This competition can involve many different potential sources of financing and includes export credit agencies, quasi-governmental sources, and development banks. The support offered by our foreign competitors continues in many cases to dwarf U.S. financial assistance.[3] U.S. companies will continue to rely on the U.S. Government to help them meet this competition at every stage of the financing of an export—from feasibility study to final project award.

EX-IM Bank

Export Credit Competitiveness: Over the years, key factors in evaluating the overall competitiveness of the Export-Import Bank of the United States (Ex-Im Bank) with the other major (G-7) export credit agencies (ECAs) have typically been related to the "cost" of financing, such as interest rates, risk fees, and tied aid. However, since the recent financial turmoil in most of the major markets where the ECAs are active, the key determinant of an ECA's competitiveness appears to be its risk taking policy,[4] rather than whether it has a marginally more or less attractive financing package. The declining importance of the cost of ECA financing can also be attributed to the evolution of the Organization for Economic Cooperation and Development (OECD) Arrangement on Guidelines for Officially Supported Export Credits. Specifically, since the new agreement on minimum risk fees took effect in the middle of 1999, there has been little room for differences in the cost of ECA financing. Overall, Ex-Im Bank remains competitive with its major ECA competitors, especially in its program features and risk taking philosophy.

Coping With Risk in Korea

During the Asia financial crisis, private sector trade financing for many emerging markets dried up. Against this backdrop, Ex-Im Bank put in place short and medium-term credit programs for Korea that facilitated more than 2,400 short-term transactions -- up from 58 transactions the previous year -- and is expected to support $3 billion in U.S. exports from 1998 to 2000.

FY 2001 Budget Initiatives

President's Initiatives for Manufacturing

Under the President's FY 2001 Manufacturing Initiative, the Administration seeks an historic $215 million increase in available export financing (includes $15 million for the President's International Clean Energy Initiative)—a 26.5 percent increase. The initiative will help keep manufacturing a strong and vital part of the U.S.

3 In terms of the share of national exports supported, the major foreign competitors continue to support a greater percentage of their exports than the United States. The chart on the preceding page shows the share of medium and long-term exports supported by ECAs as a share of total exports. Medium and long-term exports tend to be capital goods exports, such as those for infrastructure development.

4 An ECA's risk taking policy refers to its willingness to provide support for risky markets and the conditions under which support for a market is given, i.e., an ECA's willingness to both stay open and actually do business in risky markets.

economy in the 21st century by giving Ex-Im Bank the resources it needs to respond to the shift in export credit competitiveness that U.S. companies face in large, but risky, emerging markets. Increased funding will allow Ex-Im Bank to:

- Absorb higher international lending costs resulting from financial crises around the globe;
- Continue to put trade-financing resources in the hands of small businesses; and
- Provide the necessary stimulus for export sales in large, high-risk markets now recovering from the global financial crisis.

Large markets pose tremendous opportunities and challenges for the U.S. export community. The large populations in these markets require the basic infrastructure and capital equipment that form the building blocks of a growing economy. Since many of these markets were affected by the recent global financial crisis, commercial sources of financing are inadequate to meet the growing demand for export credits. At the same time, foreign export credit agencies are eager to reap the benefits associated with exports. By filling financing gaps in the private sector and neutralizing foreign distortions, U.S. Government export credit support gives U.S. exporters an equal opportunity to win their fair share of foreign sales.

And with the return of growth to the markets hardest hit by financial crises, we expect the demand for U.S. exports and export financing to increase in the near-term. Brazil, Mexico, and China, in particular, represent the kind of large, risky markets where Ex-Im Bank expects to experience increased demand for its programs.

Brazil: Several developments in FY 1999 are expected to result in increased demand in FY 2000 and FY 2001 for Ex-Im Bank financing by encouraging trade between the United States and Brazil. At Ex-Im Bank's behest, the Brazilian Government eliminated certain import restrictions that created obstacles for U.S. exports. This

Japan Merges Export Credit and Development Assistance Agencies

Japan's official export finance agency, the Export-Import Bank of Japan (JEXIM), and overseas development assistance agency, the Overseas Economic Cooperation Fund (OECF), merged on October 1, 1999 to form the Japan Bank for International Cooperation (JBIC). Officially, JBIC has indicated that it conducts its aid and trade finance operations on two "strictly-separated" accounts; i) "International Financial Operations" (functions formerly performed by JEXIM), and ii) "Overseas Economic Cooperation Operations" (functions formerly performed by OECF).

Both OECF and JEXIM played significant roles in the "Miyazawa Plan", the Japanese Government's financial and economic assistance to ailing Asian economies after the crisis that began in 1997. Each institution substantially increased disbursements, primarily in the form of so-called "untied loans", in both 1998 and 1999. However, export promotion loans continued to decrease, accounting for only 10 percent of JEXIM's activity in 1999. The impact of the merger and the continued interest of the Japanese Government in some type of budgetary "credit reform" have yet to be felt on the overall official developmental assistance and trade finance activities of JBIC. In addition, the other official export credit agency of Japan, the Export Import and Investment Insurance Division of the Ministry of International Trade and Industry (EID/MITI), is slated to become an independent agency of the Japanese Government on March 1, 2001, which could also have an impact on the availability, amount, and delivery of trade finance in Japan.

change opened the door for Ex-Im Bank to introduce a $1 billion facility enabling Brazilian companies to access commercial trade credits to procure U.S. goods and services.

Mexico: Ex-Im Bank anticipates significant activity in Mexico during FY 2001 and beyond. Specific initiatives that may impact its program budget include a co-financing scheme between Ex-Im Bank and Mexican Government-owned development banks to support medium-term U.S. exports to Mexican buyers. Ex-Im Bank may also support U.S. exports of up to $1 billion to the state-owned oil company Pemex; $1 billion for procurement of U.S. exports for two major oil refinery projects; $400 million for a project of the Mexican telephone company Telmex; and for multiple projects of the Mexican electric company CFE.

China: Based on in-house applications from U.S. exporters to support sales to China in FY 2000 and beyond, Ex-Im Bank has the potential to support more than $5 billion in exports for projects in the following sectors: environment, energy, air transportation, airport services, telecommunications, satellite broadcasting services, mass transit, construction machinery, air, water and solid waste management, and hospitals and medical care.[5]

The aircraft sector dominated Ex-Im Bank activity in China in FY 1998 and 1999. Ex-Im Bank authorized approximately $2.1 billion (96 percent of total authorizations to China) in financial support during this time. In addition, in FY 1999, Ex-Im Bank supported an electrical power project, a medical and hospital project, and an air, water and solid waste management project, for a total of nearly $90 million. In April 1999, Ex-Im Bank and the Government of China, along with the U.S. Department of Energy and China Development Bank, announced a $100 million facility designed to finance China's purchase of renewable energy, clean coal, and energy efficiency projects.

India: Chairman Harmon signed two Memoranda of Understanding in February 2000 pledging cooperation on the financing of power projects beneficial to both India and the United States; this will be accomplished through participation in the India Energy Partnership Program, a project of the United States Energy Association and the Agency for International Development (USAID). Ex-Im Bank expects that up to $500 million in new transactions could be financed as a result of the initiative. Also in February, Ex-Im concluded an agreement that allows Ex-Im Bank to guarantee up to $1 billion in local currency.

[5] The actual amount of Ex-Im requested support ultimately depends on whether the U.S. exporter is awarded the contract.

Priority Ongoing Initiatives in FY 2000

Combating Tied Aid

Ex-Im Bank and the other trade agencies of the U.S. Government are committed to keeping the Tied Aid Matching Program competitive so that U.S. exporters will not be disadvantaged by another government's use of trade-distorting tied aid to purchase markets for their exporters. Tied aid is concessional financing that is tied to the procurement of goods and services from the donor country. In recognition of the potential trade distortions associated with concessional financing, U.S. Government negotiators led by Ex-Im Bank and Treasury negotiated an agreement in the OECD that curtails the use of trade-distorting tied aid. These agencies' implementation of the OECD tied aid rules has reduced tied aid offers from about $10 billion annually in 1991-1992 to $3.7 billion in 1998.

In 1998 and 1999, Ex-Im Bank, together with the Departments of the Treasury, Commerce, and State, the Office of Management and Budget, the Trade and Development Agency (TDA), the National Economic Council, the Council of Economic Advisors, and the Federal Reserve Board, undertook the first comprehensive review of the U.S. Government's Tied Aid Matching Program since the formation of the Tied Aid Capital Projects Fund in 1994. Given the monitoring of trade-distorting tied aid and the Program's success in limiting the predatory practices or changing the behavior of donor countries, the Tied Aid Matching Program appeared, on its surface, to be working smoothly. However, it was precisely because of that success, coupled with the world economic and financial crisis, that a review of the Tied Aid Matching Program was timely.

As a result, the criteria for tied aid eligibility were updated to keep the policy relevant to meeting the needs of exporters in markets where the potential for trade distortions is greatest and for projects where the use of tied aid matching funds would leverage additional benefits to the U.S. economy. Exporters and recipient countries are now given three financing options to tailor financing to meet the specific needs of the project, and fees were harmonized to make each offer equally attractive. In addition, Ex-Im Bank expanded the definition of a key eligibility test (follow-on sales on standard terms) for qualifying for tied aid support.

Emerging Japanese Tied Aid Threat: Tied aid notifications increased by over 40 percent in 1999 to $5.3 billion. This compares to tied aid levels of $3.3 billion in 1997 and $3.7 billion in 1998. Almost all of this increase is attributable to increases in Japanese tied aid. In 1999, Japan accelerated the increase in its already rapidly expanding tied aid program. From only $182 million in 1997, Japan's program has exploded to almost $2 billion last year. Ex-Im Bank and Treasury are closely monitoring Japan's tied aid program for compliance with the OECD rules.

While, to date, most of Japan's projects have adhered to the tied aid rules, a few appear to violate them and have been scheduled for tied aid consultations in the OECD. In the only consultations case to date, a gas pipeline project was found to be commercially viable. Japan subsequently invoked the rarely used derogation procedure and went forward with the project. Japanese officials claim that this was an exceptional circumstance and have assured the U.S. Government that Japan intends to strictly adhere to the existing tied aid rules.

Untied Aid

Ex-Im Bank and Treasury continue to work actively within the OECD to review Japan's untied aid program due to exporter concerns that they do not always afford all exporters equal access to financing. A key untied aid issue currently before the OECD is whether a donor should be permitted to tie its aid for design and engineering while financing the remainder of the project with untied aid.

Information on projects that may be financed by untied aid and credits, particularly those funded by Japan, is collected by U.S. Embassies and disseminated to U.S. firms through the Commerce Department web site www.ita.doc.gov/untiedaid. This service helps give U.S. firms sufficient time to prepare effective bids. The site also provides information on Japan Bank for International Cooperation project summaries, OECD untied aid notifications, and links to other aid donor sites.

New Challenges to ECA Competitiveness

In order to maintain its competitiveness, Ex-Im Bank and the TPCC will be examining the increasing use of various forms of public/private partnerships by our major ECA competitors that may be adversely affecting Ex-Im Bank's competitiveness goal. Public/private packages refer to a growing trend in most competitor export communities of either having public institutions (or part of an institution) operate on a "commercial" basis (i.e., market windows), thereby avoiding the disciplines of the OECD Arrangement, or having proactive cooperation between ECAs and their national exporters/banks in pursuing export opportunities.

Overseas Private Investment Corporation (OPIC)

The United States has a strong foreign policy interest in helping the many countries recently hit by some form of calamity (financial, natural, or military) to meet their developmental goals. These developing regions are looking for dependable, long-term investments to help stabilize their economies, bring jobs to their people, and promote free market

Strengthening Capital Markets

After global financial crises all but dried up traditional funding sources, OPIC launched a new program to work with the capital markets. With $200 million in OPIC political risk insurance, the Turkish joint venture Ford Otosan raised $105 million through a successful private placement in the bond market to finance a new vehicle line, becoming the first of ten projects in 1999 to take advantage of this new OPIC capital markets product.

reforms. Parts of Asia are still unsteady after the disastrous flight of "hot money" from that region. Russia continues to walk the tight rope between economic reform and economic collapse. Latin America is seeing a slowdown in the wake of Brazil's currency devaluation, and parts of Africa, Southeastern Europe, Central America, and the Caribbean are suffering economic problems brought on by wars and natural disasters. In such a global climate, OPIC is needed to mitigate economic swings, contribute to long-term growth and stability, and promote free market reforms.

Because most of these emerging markets are on the path of democratization and market liberalization, they also represent tremendous economic potential for U.S. exporters. Our competitors are combining their "trade and aid" efforts to position their firms on the ground floor of developing economies. We, too, must put project financing and information in the hands of our exporters. By mobilizing private sector investment, OPIC is contributing to global economic recovery and to U.S. exports and jobs.

FY 2001 Budget Initiatives and Ongoing Priority Initiatives

OPIC's four-year reauthorization, signed into law on December 9, 1999, sets the stage for OPIC to continue contributing to American economic and foreign policy goals. Recent initiatives, particularly in Africa, Southeast Europe, and Central America, will increase demand in FY 2001 for OPIC programs and impact OPIC's ability to manage and monitor growing commitments (see also OPIC's enhanced monitoring activities in the Environmental Technologies chapter).

Africa

As the Congress moves closer to passing the African Growth and Opportunity Act, the Administration is poised to take its Africa Initiative to the next level. The global financial crisis hit Africa hard, yet governments in the region have maintained their commitment to political and economic reform. As the global economy picks up, these countries should enjoy renewed economic growth.

> "As the only U.S. government agency responsible for supporting U.S. direct investment in developing countries, OPIC recognizes the opportunities that exist in Africa.... Africa has become one of the biggest growth opportunities for American business in the world."
>
> "OPIC is committed to working with the nations of sub-Saharan Africa as partners in growth and to help facilitate the integration of Africa into the global economy"
>
> George Muñoz
> OPIC President and CEO

OPIC is focusing its efforts on raising the awareness of American businesses about investment opportunities in Africa. In FY 2000 and FY 2001, the OPIC-supported Africa investment funds will continue to raise equity for and invest in developmental projects. Recent commitments include OPIC's $350 million infrastructure fund for sub-Saharan Africa. Additionally, in FY 1999 OPIC began to work with Reverend Leon Sullivan's Peoples' Investment Fund for Africa and the African Development Bank to support microenterprise and small business development in sub-Saharan Africa. OPIC now supports nearly $1.2 billion for projects critical to economic development in about 20 African countries. These funds—and all OPIC-supported projects in Africa—will continue to be included in OPIC's due diligence and monitoring processes.

Southeast Europe

We are still in the early stages of rebuilding Kosovo and strengthening ties to front line states. As we saw in Bosnia-Herzegovina, the challenge will be to ensure that American firms have early access to the funding upon which most commercial projects will depend.

OPIC will be launching new activities to match U.S. businesses with investment opportunities in the region. OPIC is currently focusing business development efforts on the Balkans and is developing a $150 million investment fund that will promote growth in the region. As part of an overall Administration effort, OPIC's approach to post-war rebuilding focuses on the long term. By supporting U.S. private sector investment in the region, OPIC is laying the groundwork for job creation, rebuilding the region's infrastructure, and improving the local tax base. This approach promotes long-term economic growth and political stability while also fostering free market principles and supporting U.S. firms seeking to establish a presence in the region.

Leveraging TDA and Other Agencies

TDA, working with TPCC partners and U.S. firms, will target World Bank and European Bank for Reconstruction and Development funding to develop projects in the Balkans. In addition, TDA can serve as the "hunting dog" for the OPIC Balkan fund, providing feasibility studies and other planning assistance to identify and prepare projects for OPIC consideration.

Central America and Hurricane Mitch

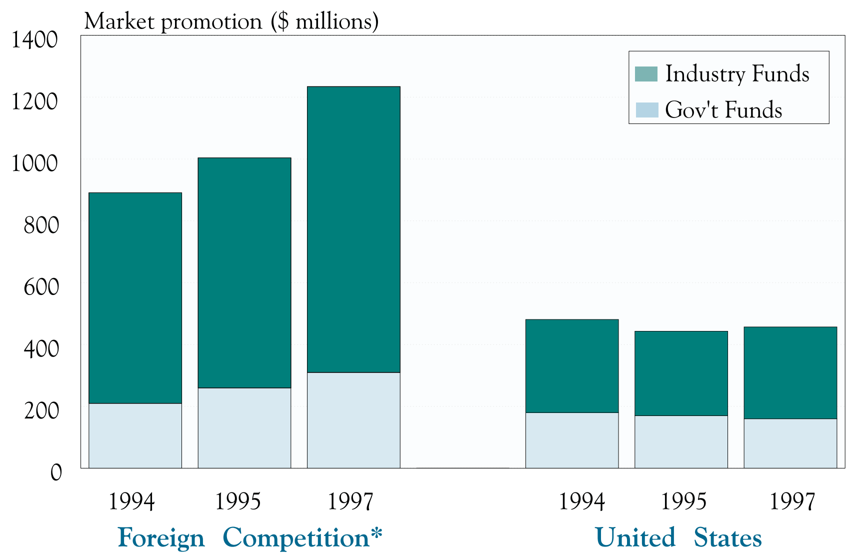
The year 2001 will be an important year for the reconstruction of Central America in the aftermath of Hurricane Mitch. While the international community pledged over $9 billion, critical projects, such as the dredging of rivers in Honduras, have yet to be undertaken. Although supplemental funds specifically designated for Hurricane Mitch-related activities will be exhausted by the close of FY 2000, OPIC will continue its outreach efforts, focusing on sectors such as infrastructure, manufacturing, tourism, energy, agriculture, and housing. Follow-up work of committing those projects that were earlier identified will continue in FY 2001, as will OPIC's due diligence and monitoring responsibilities.

Additionally, OPIC has made a $100 million loan guaranty commitment to a regional on-lending facility that will assist U.S. sponsored private investment in the region. This on-lending facility can be used to support additional developmental subprojects as part of the overall hurricane recovery effort. While most relief efforts rely on direct grants to host governments or nongovernmental organizations, OPIC is unique in that it works with the private sector to bring business development to the region, thereby supporting employment, fostering growth, and promoting free market principles.

Department of Agriculture (USDA)

Over the last 20 years, the world market for agricultural goods has grown dramatically—from $180 billion in 1981 to as high as $330 billion in 1997. While U.S. agricultural exports have also risen during this time frame, the United States has lost considerable market share to its competitors—dropping from a peak of 24 percent in 1981, to nearly 18 percent in 1999. While there are many causes of these trends, one of them is the steep increase in our competitors' spending on market promotion to take advantage of recent market access opportunities. As shown in the chart, while U.S. funding of market promotion has been level, both the governments and industries of our competitors have steadily increased such spending.

Competitors' vs U.S. Agriculture Market Promotion Funding



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

At the same time, our exporters face increasingly uncertain financial markets. USDA's Export Credit Guarantee Programs, provided by the Commodity Credit Corporation (CCC), are doing their best to help U.S. firms maintain their exports in the face of both increased foreign competition and market uncertainty. USDA has four export credit guarantee programs—General Sales Manager (GSM)-102, GSM-103, the Supplier Credit

Guarantee Program (SCGP), and the Facility Guarantee Program (FGP).[6] Over the last seven years, these programs have facilitated an average 6.5 percent of total U.S. agricultural commodity and product exports.

Specific examples in which USDA stepped in to sustain U.S. exports in countries that have had economic difficulties include:

- In 1995 and 1996, USDA registered over $1.4 billion in GSM-102 in each of these years to help maintain export volumes to Mexico as importers suffered through and recovered from Mexico's Peso devaluation.
- Pakistani importers became a key user of GSM-102 credit guarantees in 1995-1998, purchasing over $1.1 billion in commodities under commercial bank credit terms.
- In 1998 and 1999, in response to the Asian financial crisis, Korea used the GSM-102 program to buy over $2 billion in U.S. agricultural commodities. Indonesia, Thailand, and the Philippines were also substantial users of GSM-102 during the Asian economic crisis, together using nearly one-half a billion dollars worth of GSM guarantees.

FY 2001 Budget Initiatives and Ongoing Priority Initiatives

Increased Financing for Consumer-Ready Products

American exporters sold a record $21 billion in consumer-oriented agricultural products such as snack food, breakfast cereals, packaged meats, fruits, vegetables, and nuts. To support this trend, the SCGP has grown more than tenfold from the volume of activity reported in its first year. In 1999, SCGP supported $92 million in export sales. Each year the SCGP has more than doubled in volume of activity since it was initiated in November 1997. With consumer-oriented agricultural exports now overshadowing bulk commodity exports, increased demand for financial and promotional assistance is expected for FY 2001 and beyond.

Agribusiness Infrastructure

USDA introduced the FGP in FY 1998 to promote the export of equipment and services to develop agribusiness infrastructure in emerging markets. The FGP has tremendous potential for expanding U.S. agricultural exports by providing support for the financing of infrastructure needed in emerging markets. FY 2001 will be another year of increasing demand for these projects.

[6] USDA's export credit guarantee programs facilitate the extension of credit by U.S. exporters and banks by taking a majority of the risk of nonpayment. Some proportion of the risk of default is retained by the U.S. exporter or their bank to ensure that there is an assessment of the creditworthiness of the foreign importer or bank by a party to the transaction. This risk-sharing element, coupled with USDA's political and commercial risk assessment, helps to reduce potential claims against the guarantees. Although the CCC annually issues up to $5.5 billion in export credit guarantees, claims due to loan defaults in the most recent five-year period have been less than total program fee revenue. As a result, these programs actually generate a small amount of revenue, which is returned to the U.S. Treasury.

Multilateral Development Banks (MDBs)

The five MDBs—the World Bank, the Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank—play an important role in open market reforms and growth in developing countries. Collectively, the MDBs committed approximately $65 billion last year for public sector investment and adjustment lending, for concessions, and for private sector investments. The MDBs finance technical assistance, feasibility studies, design and engineering contracts, construction, equipment, and the entire multitude of items necessary to analyze, design, and build major projects. MDB lending also supports, for example, social sector assistance in health and education, integrated rural development, multi-sector approaches to improving urban services, and reforms in public sector management. Moreover, the MDBs provide debt and equity financing and guarantees for projects in the private sector.

Ongoing Priority Initiatives

Enabling Environment: In working to promote a stable, growing, and open international economic environment in which private business can prosper, the U.S. Government plays a critical role in supporting U.S. commercial activity through its active participation in the MDBs. Our role is four-fold: 1) to honor financial commitments to the MDBs and thereby preserve our leadership role in the multilateral system; 2) to encourage, through the MDBs, policy and structural reforms in developing countries which help to create a more fertile environment for U.S. commercial activity; 3) to create a level playing field for U.S. companies to access MDB business opportunities; 4) to provide information and guidance to U.S. companies on accessing MDB projects and financing programs.

Assistance for U.S. Firms

Realizing the great number of opportunities that the MDBs represent, the Clinton Administration sought to create a “one-stop” shop to coordinate activities and increase the competitiveness of U.S. business at the MDBs. That idea became a reality in 1993 with the creation of the Department of Commerce’s Office of Multilateral Development Bank Operations (MDBO). Since that time, MDBO—a network of commercial liaisons at each MDB and a counseling center in Washington, D.C.—has become an innovative and award-winning force for helping U.S. companies succeed at the Banks.

Commerce Department Commercial Liaisons at each MDB, the Commerce headquarters staff, and the U.S. Executive Directors at the MDBs encourage U.S. companies to look at the MDBs as a source of business in developing markets. The primary functions of the MDBO and its Commercial Liaison Offices include:

business counseling, information collection and dissemination, business outreach, and advocacy. A redesigned web site, www.usatrade.gov/mdbo, makes information more easily available and creates an interactive international finance training module.

Last year, MDBO organized or participated in more than 170 outreach events, conducted more than 5,600 counseling sessions, and directly helped 33 companies win over $340 million in MDB-financed contracts and investments. Of these success stories, 53 percent were small and medium-sized enterprises. Over $1 billion in U.S. success stories can be directly attributable to MDBO and its Liaison Offices since the MDBO's inception.

Helping Small Business

While MDBO has worked diligently to ensure success for both large and small U.S. firms, it has a strong commitment to assisting small and medium-sized enterprises (SMEs). For example:

- Through outreach, counseling, and advocacy, MDBO Commercial Liaison Officers assisted Brown, Venca, and Associates (BVA), a first-time small-enterprise bidder, win a $200,000 contract in Guyana with the Inter-American Development Bank and a second contract opportunity with the World Bank.

- MDBO's Commercial Liaison Officers mediated with World Bank officials on behalf of U.S.-based EduSystems to remove an erroneous contract clause in a bid worth more than $1.3 million for a project in Yemen.

Advancing Procurement Reform

Treasury and the U.S. Executive Directors at the MDBs have continued to press for MDB procurement reforms. In 1998-1999, the Asian Development Bank and the African Development Bank added fraud and corruption provisions to their procurement rules, and the Asian Development Bank took a major step forward by mandating the use of its standard bidding documents. Significant progress is being made in the International Financial Institution (IFI) Chiefs of Procurement Working Group toward completing best practice master standard bidding documents that could be the model for all MDBs. Following the example of the Inter-American Development Bank, the African Development Bank hosted an important conference on "Public Procurement Reform in Africa." These advances build upon the reforms of prior years and help to level the playing field for U.S. companies seeking MDB business opportunities.

U.S. companies have been aggressive in seeking MDB debt, equity, and guarantee financing for their private sector investments. Overall, the data illustrates that U.S. companies have been successful in bidding for business on Bank-financed contracts in public sector projects. We will continue to assist American firms by providing advice through the programs and services of MDBO and its Commercial Liaison offices, by working to further strengthen the procurement regimes of the MDBs, and by pressing the MDBs to implement good governance and anti-corruption programs.

Small Business

SMALL BUSINESS BUDGET INITIATIVES FOR FY 2001

Using Technology to Increase Exports

- The President has asked for $11.6 million to provide outreach to SMEs, develop new export transaction tools to help companies sell internationally, and make all existing Commercial Service programs and products available through the Internet.

  - The Department of Commerce will create a position in each regional USEAC office to work with the Manufacturing Extension Partnership program to help smaller manufacturers become export-ready with a focus on applying E-commerce solutions. This will include a series of conferences on how E-commerce facilitates exporting.

  - Commerce will make available (through the Trade Information Center) foreign country export documentation that U.S. companies need to execute international transactions, including a comprehensive database of import taxes, tariffs, and other regulatory data to help U.S. small businesses.

  - Commerce will move its E-ExpoUSA (Virtual Trade Show) from a pilot program into full operation to allow more exporters to exhibit their products over the Internet and allow them an electronic presence without actually attending a trade show.

Maintaining the Overseas and Domestic Trade Assistance Network

- The Department of Commerce's budget request calls for $11.7 million to adjust (US&FCS) base funding in FY 2001. Without this adjustment, the US&FCS would have to reduce or close its operations in many locations and trim down some of its programs.

- The Small Business Administration needs $3.5 million to maintain staff at each of the 19 USEAC locations. These staff provide trade finance services and programs and technical assistance and counseling, particularly for small business new-to-export firms.

Trade Finance

- Ex-Im Bank has requested an additional $215 million (includes $15 million for the President's International Clean Energy Initiative) under the President's Initiatives for Manufacturing. This will continue to help Ex-Im Bank meet the trade financing that U.S. small businesses require by allowing Ex-Im Bank to absorb higher international lending costs resulting from financial crises around the world.

Helping Underserved Communities

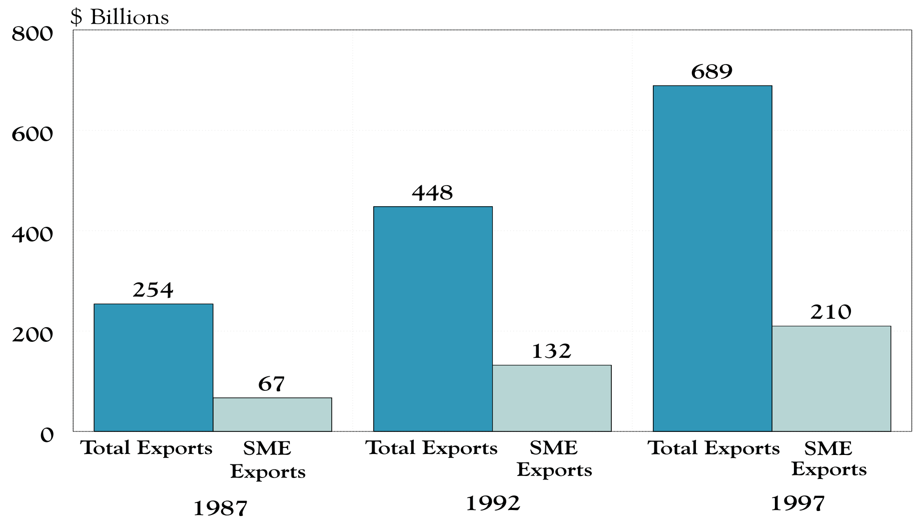
- The Administration is requesting $4 million to help underserved communities take advantage of the large market in cultural tourism. The Commerce Department will select 10 pilot sites and work with these communities to design and implement a strategy to increase tourism.

Small Business

A principal goal of many TPCC agencies is to assist small and medium-sized enterprises (SMEs) in their exporting efforts. Because of the great number of these firms and their small size, they offer great potential for export growth and are most likely to need assistance.

Between 1992 and 1997, the number of U.S. firms exporting goods grew by almost 100,000, rising from about 113,000 in 1992 to almost 210,000 in 1997. This growth has been accelerating, rising 86 percent during the 1992-97 period compared to a 63 percent increase between 1987-92. SMEs continue to dominate the exporter population, accounting for 97 percent of all U.S. exporters. These companies are gradually boosting their share of U.S. merchandise exports—from 27 percent in 1987, to 29 percent in 1992, to 31 percent in 1997.

Total Merchandise Exports by Small and Medium-Sized Companies



Source: DOC and SBA, "Exporting by Small Firms"

Nevertheless, recent data collected by the Census Bureau shows that SMEs do not export as much as they could. Over half of U.S. shipments abroad are accounted for by only 250 companies. Nearly 90 percent of all exporting firms in 1997 posted exports of less than $1 million. More importantly, of all SMEs that exported, 62 percent sold goods to only one overseas market. This suggests we continue to have an “export gap” with small businesses, and that with additional support, these companies—which represent more than one-half of U.S. jobs—could export more.

How We Help Small Businesses

TPCC agencies have developed a full spectrum of services to make sure that small businesses get all the assistance they need. The International Trade Administration’s (ITA) Trade Information Center (TIC), with its 1-800-USA-Trad(e) hotline and award-winning web site, http://tradeinfo.doc.gov serves as the gateway for companies to access U.S. government assistance programs. The TIC provides information to companies ranging from personalized business counseling (over the phone) to supplying information on the regulations in specific countries (over the Internet). The Small Business Administration's (SBA) Export Training Assistance Partnership (E-TAP), which trains firms with no export experience on the export process, has been expanded to all 19 United States Export Assistance Centers (USEACs are Export Assistance Centers containing representatives from more than one TPCC agency). Many of the graduates have gone on their first overseas trade mission. The Commerce Department Export Assistance Centers around the country help small businesses that are ready to export or have some experience exporting by providing in-depth counseling to 1) help identify the best market for their products; 2) develop an effective market entry strategy; 3) assist in the implementation of these plans by advising clients on distribution channels, pricing, relevant trade shows and missions; and also 4) assist with trade finance programs that are available through federal, state, and local (public and private sector) entities. The Department of Commerce also has industry and regional specialists. Its Trade Development and Market Access and Compliance units provide detailed information and analysis on foreign market opportunities, advocacy assistance, market conditions, and export financing. This expertise is found nowhere else inside or outside of the federal government.

E-TAP and Export Working Capital Score Success

Specialty Vehicles of Huntington Beach, California sells and distributes special people mover transportation products. After graduating from the SBA's Export Trade Assistance Partnership Program in the Long Beach USEAC, Specialty Vehicles worked with the USEAC to advertise their products in *Commercial News USA*. Through this, they landed an order from the Airport of Bahrain.

After the negotiations were completed, Specialty Vehicles realized they did not have the working capital to complete the transaction. The SBA provided them with guidance on obtaining an Export Working Capital Program loan. Specialty Vehicles was able to get an SBA export loan through one of the SBA's more active PLP lenders. Nancy Muñoz, the President of Specialty Vehicles, states *"if it were not for the help from E-TAP and SBA in putting us in touch with a lender, we would have had to decline the order and lose the export sale."*

- In 1999, the TIC handled nearly 75,000 counseling sessions and had 575,000 hits on its Internet site.
- In 1999, 275 participants representing 75 companies went through the E-TAP program.
- This past year, USEAC Trade Specialists provided one-on-one export assistance counseling to over 15,000 U.S. companies. This assistance resulted in 4,500 documented export sales valued in excess of $1.5 billion.
- Industry and country specialists filled information requests from almost 100,000 SMEs.

In addition to counseling, our trade specialists in the USEACs and in our embassies overseas have an array of other services and products to help small businesses. These include the Matchmaker Trade Delegation Program which introduces U.S. small businesses to overseas representatives and distributors, the International

Buyer Program which attracts international buyers to major U.S. trade shows, and the Gold Key Service which is a custom-tailored service for U.S. firms planning to visit a country and includes briefings, interpreters, marketing reports, and introductions to potential partners.

- In FY 1999, our overseas posts recorded 2,876 verifiable sales totaling $12.9 billion based on ITA assistance. There were 10 Matchmaker trade missions generating $30 million in follow-on sales. The International Buyer Program attracted 95,043 foreign buyers and documented transactions by posts related to $3.6 million in immediate sales. The Department of Commerce also provided 1,528 Gold Keys.

The U.S. Department of Agriculture (USDA) provides assistance to small agricultural firms and farmers by providing trade leads, foreign buyer alerts, and U.S. supplier lists to international buyers. USDA also helps these firms to participate in trade shows. Over the past four years, the USDA's Market Access Program has changed the focus of its branded products promotion activity to exclusively support small and medium-sized firms.

- Over the past year, USDA helped more than 2,800 exporters, the majority of which were small businesses. As a result of foreign buyers being provided with U.S. supplier listings, 106 companies with less than 50 employees reported sales of $37 million. USDA-sponsored trade shows increased to 31 in 1999, and U.S. participants reported direct "at show" sales of $318 million. USDA's operating costs amounted to just $2 million, a substantial return on investment.

To make sure small businesses do not have to turn away an overseas sale because of a lack of financing, both the Export-Import Bank of the United States (Ex-Im Bank) and the SBA provide working capital to help pay for raw materials, labor, overhead to produce goods for export, and cover standby letters of credit. In addition, Ex-Im Bank offers short-term insurance to provide U.S. exporters with payment assurances in the event of default by foreign buyers.

- In 1999, Ex-Im Bank and SBA together provided working capital guarantees on over 1,045 transactions valued at $2.3 billion.
- Ex-Im Bank provided insurance on over 1,400 transactions to support almost $3.3 billion in export sales. 80 percent of Ex-Im Bank transactions directly benefit small business.
- SBA approved 97 international trade loans worth $39.5 million in 1999. SBA approved an additional 1,097 loans to exporters through the Agency's 7(a) and 504 programs worth $309 million.

FY 2001 Initiatives

Despite the success of these programs, TPCC agencies recognize they could do more. This year we have four budget proposals. The first will use technology to make it easier for U.S. companies to export; the second will restore funding to our domestic and overseas offices so that they can more fully assist U.S. exporters; the third will enable us to continue to meet trade financing needs without having to raise costs to exporters; and the fourth will help us assist Native American communities in their export efforts. In addition to these budget initiatives, we have a number of other ongoing initiatives that will help to improve our programs and provide more targeted assistance.

Using Technology to Increase Exports

Electronic commerce is rapidly becoming a new tool to help U.S. companies improve and expand all areas of their international business. Recent innovations in electronic commerce have enabled SMEs to overcome distance barriers and enter new markets. Perhaps the most obvious new opportunity that emerges from electronic commerce is direct sales to foreign customers (exports).

As of May 1999, 23.4 percent of people living in Europe had access to the Internet, compared with 27 percent of those living in the Asia/Pacific region and 3.1 percent of those living in Latin America.[1] Moreover, because of the current high costs associated with Internet access overseas, individuals or businesses that have Internet access have greater purchasing power than the general public, and are, therefore, a more desirable audience for American-made products and services.

In a survey of 50 companies undertaken by Forrester Research, U.S. companies find, on average, that 30 percent of their web site traffic and 10 percent of their orders come from outside the United States. Forrester also found that nearly half the orders placed on web sites from customers outside the United States are turned away because companies do not have the processes in place to fill them. While it may take nothing more than a web site to receive international orders, fulfilling those orders presents several challenges, particularly for first time exporters.

The European Union (EU) is making it easier for their small companies to use the Internet to help them export. The EU maintains a web site where any small company can obtain specific line item tariff and regulatory information on any market in the world. Their small businesses can even download translated import

1 U.S. Department of Commerce. The Emerging Digital Economy II. June 1999, page 3

forms needed for exporting to non-EU countries, for free. U.S. SMEs usually have to obtain that kind of information from the country or a third party like a freight forwarder.

To meet our EU competition and increase the use of the Internet as a tool for exporting, the TPCC agencies, as part of the President's iniatiatives for manufacturing, want to significantly buttress our E-commerce efforts. The President has asked for $11.6 million to provide outreach to SMEs, develop new export transaction tools to help companies sell internationally, and make all existing export assistance programs and products available through the Internet.

Broadening the Export Base

- The Manufacturing Extension Partnership (MEP) will create four staff positions within the USEAC regional offices. These liaisons will work with the MEP centers in these regions to help smaller manufacturers become export-ready. The MEP liaisons will support ITA's E-commerce exporting initiatives and focus on applying E-commerce solutions to export counseling for small manufacturers.
- ITA will host, with the help of other TPCC agencies and partners, a series of conferences to promote export assistance programs and services, and to disseminate information on how E-commerce facilitates exporting for small manufacturers. To help with this effort, MEP will develop web-based "Starter Kits" to provide the basic information companies need to begin exporting products and services using E-commerce. The TIC will provide online information to help firms receiving E-commerce inquires.

Streamlining the Export Process

- The U.S. and Foreign Commercial Service (US&FCS) web site will become a comprehensive source for U.S. and foreign country export documentation that U.S. companies need to execute international transactions. ITA's US&FCS and Trade Development units will develop and maintain on the TIC web site a comprehensive database of import taxes, tariffs, and other regulatory data to help U.S. manufacturers determine product pricing, anticipate and comply with foreign market entry requirements, and expedite transactions.

E-Exporting Tools for Manufacturing Exporters

- Commerce will enhance the E-ExpoUSA (Virtual Trade Show) from a pilot program into full operation. This program allows U.S. exporters to exhibit their products over the Internet and allows them an electronic presence without actually attending a trade show. E-ExpoUSA, located at www.e-expousa.doc.gov, currently hosts information on over 650 U.S.

companies. This site is actively marketed to international buyers via major trade shows and offers online shopping focusing on business-to-business marketing.

- US&FCS will develop, in cooperation with other TPCC agencies, a fee-based series of Internet training modules addressing the most pressing needs of U.S. manufacturers, from how to enter markets to closing transactions.
- US&FCS will enhance the design of its main web site to showcase its E-commerce products, services, and reference tools. Additional equipment and bandwidth will be needed for this project.

Priority Ongoing Initiatives

- Virtual Trade Shows: For 2000, the E-commerce working group plans to increase overall participation in E-ExpoUSA from 650 companies to 5,000. The group plans to make E-ExpoUSA more user-friendly, and increase their outreach to domestic and overseas trade specialists and staff at trade associations on the benefits of E-ExpoUSA to their clients.
- Video Conferencing Network: Our infrastructure includes video equipment at all 104 domestic offices and in 34 locations overseas in U.S. Embassies and Consulates
- Webcasting: The new Commercial Service web site www.usatrade.gov currently offers six web-based video programs on a variety of international trade topics to assist U.S. exporters, and plans to add five more this year.
- Push Technology: The Commercial Service is currently piloting a program to automatically deliver relevant trade leads and market research reports directly to U.S. exporters via e-mail alerts.
- Exporter Referrals: Trade Development is working with a private sector firm to develop an Internet site, myExports.com™, to help U.S. producers locate U.S. export service providers and attract potential foreign buyers.

Maintaining the Overseas and Domestic Trade Assistance Network

The key to all of our export efforts is having the basic infrastructure in place on the ground to respond to the needs of small businesses in the United States and overseas.

The United States continues to be outspent and outstaffed by our major competitors in relation to our Gross Domestic Product (GDP) when it comes to helping small businesses export. Our competitors provide significantly more resources in the way of government assistance, including financial assistance for

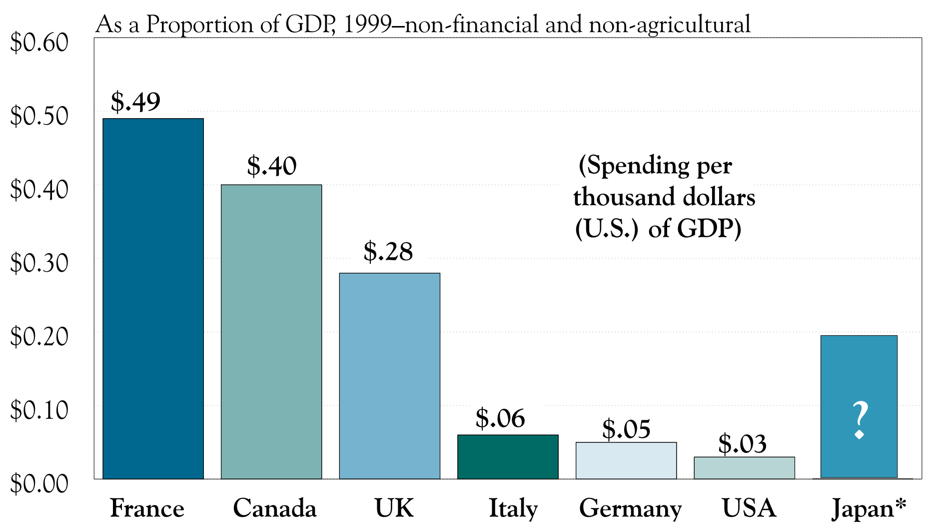
Export Promotion Staffing

* Figures for Japan are difficult to interpret because the government of Japan maintains that its non-financing trade promotion personnel are devoted to import promotion. Commerce believes that there is substantial support for export promotion that is supplemented by industry associations with close ties to government.

** German figures are also likely to be understated since they exclude German Economics Ministry headquarters personnel.

Source: Commercial Service and OECD (for GDP)

Export Promotion Spending



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Source: Based on Commercial Service staffing estimates and OECD GDP figures their small companies participating in overseas trade shows. U.S. small businesses, both industrial and farm/food related, complain that when they go to a trade show their European competitors have better and more strategically located booths, because their governments sponsor either their booth, travel to the show, or both. In addition, most of our competitors have a less stringent fee structure.

To monitor these efforts and maintain our high level of service to U.S. small business exporters, the Administration is requesting a total of $15 million for the Commerce Department and the SBA to adjust the base funding to the Commercial Service and to help SBA maintain a presence in the USEACs.

Adjustment to Base

To prevent a backsliding of the Administration's ability to deliver basic SME export services and to continue to help U.S. businesses compete, the Department of Commerce's budget request calls for an adjustment to the Commercial Services' base funding in FY 2001. Without this adjustment, TPCC efforts to better reach and serve SME exporters would be impeded. We expect that our International Buyers and Matchmaker Mission programs and our overseas presence would be most affected.

Maintain Full Partnerships in the USEACs

SBA has staff at each of the 19 interagency USEAC locations nationwide, providing trade finance services and programs and technical assistance and counseling, particularly for small new-to-export firms. SBA is requesting an increase in its USEAC line item for FY 2001 to be able to maintain its current level of participation and services. Funding for SBA USEAC participation has been straight-lined for four years; without full funding for this request, SBA will have to consider withdrawing from some USEACs.

Integrating Domestic Operations

The SBA seeks additional funding in FY 2001 to integrate its domestic operations into the SBA Export Continuum. By expanding education, technical assistance, risk management, and finance products to all of its domestic offices and partners, SBA can take advantage of its entree with SMEs to cultivate export-ready firms. Services that address the special needs of SMEs include simple finance and risk management products and help in forming networks and alliances. These services increase community awareness of the importance of trade to their future prosperity.

Small Business Trade Finance

The ability to offer financing or credit terms is often the most critical element in competing for, and winning, export sales. Increasingly, foreign buyers expect the U.S. supplier to offer "open account" or unsecured credit terms rather than pay by letters of credit (which are more expensive) or cash in advance. In addition, a small business may need working capital to help purchase materials to make the product to be sold. Both Ex-Im Bank and SBA have programs to address these needs. These programs have become especially important since the financial crisis of 1998 caused a number of financial institutions to become more conservative in their lending practices, and because smaller financial institutions which service many of the small businesses do not have the infrastructure to judge risk in these developing markets.

Loan Helps Small Company in Florida

Dantzler Lumber, of Miami, Florida, a small company that exports lumber and plywood, has used an Ex-Im Bank Guarantee of a $5 million revolving working capital loan from General Electric Capital Corporation for additional capital to fill growing orders from countries including Antigua, the Dominican Republic, and Jamaica.

To continue to meet the trade financing needs of U.S. small businesses, the President has asked for an additional $215 million (which includes $15 million for the President's International Clean Energy Initiative). This funding, one of the President's initiatives for manufacturing, will allow Ex-Im Bank to absorb the higher international lending costs resulting from the financial crises (see Trade Finance chapter). To help put trade financing resources in the hands of small businesses, Ex-Im Bank and SBA are continuing to refine their programs by more aggressively targeting lenders and by improving their programs.

Expansion of the Delegated Authority Lender Program

Delegated authority is a special partnership that allows qualified lenders to commit Ex-Im Bank's guarantee under the Working Capital Guarantee Program without prior approval from Ex-Im Bank. Delegated authority leverages Ex-Im Bank's scarce human resources by tapping into existing private sector expertise, thus improving overall customer service.

For asset-based lenders, such as CIT, G.E. Capital, and Wells Fargo Business Credit, Ex-Im Bank will guarantee up to $10 million per borrower in working capital and up to $150 million in aggregate (compared to $5 million per

OPIC's President and CEO Wins Small Business Award

The Small Business Exporters Association honored George Muñoz, President and CEO of OPIC, with the 1999 Ronald H. Brown Export Enhancement Award for making OPIC and its programs more open to small business.

"When I became president of OPIC a year and a half ago, I said that helping small businesses would be one of my top priorities. In fact, we designated 1999 as the Year of Small Business at OPIC," said Mr. Muñoz. OPIC has reduced the minimum loan size from $2 million to $250,000, streamlined loan procedures, reduced the paperwork burden, established a small business insurance brokers incentive program, developed new educational materials for small business, and installed a small business hotline (202-336-8610).

borrower and $75 million in aggregate previously). For qualified small community banks and lenders, Ex-Im Bank will guarantee up to $1 million in working capital per borrower and transaction and up to an aggregate of $10 million. Through innovations such as these, Ex-Im Bank's Working Capital Guarantee Program is expected to grow from $400 million in projects authorized in FY 1999, to $850 million in FY 2000, and $1 billion in FY 2001, representing increased demand on Ex-Im Bank's program budget.

SBA EXR-Online System

To increase the number of lenders capable of offering short-term export working capital to their customers, SBA developed EXport Risk Analysis On-Line (EXR-Online), formerly called SBA Export Express. EXR-Online utilizes interactive Internet technology to allow lenders to quickly determine whether or not an export transaction is eligible for funding under the Export Working Capital Program (EWCP). SBA requests FY 2001 funding for continued enhancements to the EXR-Online system, as well as training and marketing initiatives aimed at increasing the numbers of participating lenders in the EWCP program.

Priority Ongoing Initiatives

- Increasing Access to Working Capital

  To make its program more accessible to community lenders (who have small businesses as their clients), SBA has designed a trade finance training program which will be offered to community banks around the country. Nearly 7,000 banks in the United States participate in the SBA's domestic guaranty program.

  SBA is also working with the Private Export Funding Corporation (PEFCO) to develop a secondary market for the Agency's EWCP loans. The added liquidity that will be provided by the Secondary Market Program will serve as an incentive for lenders, particularly non-bank and small niche lenders.

  Ex-Im Bank is in the process of clarifying the documentation of its working capital program, to more effectively and efficiently provide expanded guarantee coverage for minority- and woman-owned businesses and firms in rural and economically underserved communities, while being responsive to environmental concerns. Ex-Im Bank hopes that this will increase the

SBA Loan Helps Georgian Small Business Expand into West Africa

Citland International, L.L.C. of Atlanta, GA, a small wholesaler of mining equipment and other industrial machinery and equipment, was restricted in their ability to grow with in-house financing. They needed working capital to increase sales and the size of their contracts, so their lender suggested the an EWCP loan. The company obtained an $833,000 export working capital loan through Global Commerce Bank guaranteed by SBA. "*The working capital guarantee worked extremely well and allowed us to concentrate on sales without devoting our time to pursuing funding on each contract*," says Trevor King, President of Citland International.

number and nature of lenders which will in turn expand the pool of resources available to exporters that require working capital. It will also introduce lenders (and their existing customers that may have untapped export potential) to the range of Ex-Im Bank programs.

SBA has recently completed an update of its EWCP loan authorization and now for the first time, one standardized loan authorization can be used in each of the 50 states. SBA is in the process of revising its EWCP Operating Guidelines to allow for greater flexibility on the part of lenders and borrowers who utilize the program. These changes will allow us to expand the number of lenders who have Preferred Lender status for EWCP loans.

- Export Financing Workshops

  The Department of Commerce will continue to hold its successful series of workshops around the country to help U.S. exporters learn the value of export finance as a sales tool. These workshops highlight the competitive strengths and weaknesses of trade finance providers of working capital, foreign receivables financing, and medium-term finance, helping exporters decide which type is best for their transactions.

  During the past year, workshops have been held in Arizona, California, Florida, Louisiana, Texas, South Dakota, Nevada, Alabama, and New Jersey. Plans are underway to hold workshops in Los Angeles and Atlanta in the spring.

  In addition to the workshops, the Department also hosts the Export Finance Matchmaker site, www.ita.doc.gov/td/efm, which allows exporters to enter information about their deal and quickly find a financial institution that is willing to provide financing, be it working capital or trade receivable financing.

Programs for Underserved Communities

Our programs and services must respond to the upsurge of business success among constituencies historically underrepresented in trade. From companies in the services sector to minority-owned businesses, there is clearly a need to enhance our programs to unleash this unmet potential.

Most minority and service businesses are small and rely heavily on U.S. governmental promotional efforts. The number of businesses owned by minorities has increased 60 percent over five years, from 1.3 million to 2.2 million. The number of African-American-owned firms grew 46 percent between 1987-92 (most recent data available). The services sector accounted for 78 percent of U.S.

private sector output and over 86 million jobs. It is imperative that TPCC agencies take steps to expand their client base to these constituencies. The Administration has asked for $4 million to support an initiative initially targeted to the Native American community but which could be expanded in future years to other underserved communities.

The Cultural Heritage Community Development Export Initiative

Cultural heritage tourism is a significant component of U.S. tourism. In recent research data, cultural heritage tourism has been identified as a leading travel activity for 33 percent of both international and domestic travelers to and within the United States. These consumers of U.S. services generate annual revenues in excess of $164 billion. To help them tap this market, ITA's Trade Development unit will select 10 pilot sites to:

- Design and implement education and training programs on tourism;
- Pay for printing and distribution of tourism manuals for members of the pilot communities;
- Develop promotional programs for highlighting their cultural heritage;
- Create an interactive Internet site that facilitates communications on the cultural heritage of the 10 pilot communities; and
- Support the development of data to help guide destination development planning.

The initiative will also seek to double the number of respondents to the Survey of International Air Travelers (In-Flight Survey). This will allow the Commerce Department for the first time to gauge the impact of international travel on smaller communities in the United States, as well as provide additional information to SMEs to develop strategies for increasing travel to their sites. The successful implementation of this initiative will lead to similar programs for African-American and Latino communities.

Extension of SBA Export Services to Rural Areas

SBA is developing, under its E-TAP program, a natural resource and agricultural-based enterprise effort partnered with USDA's National Resource Conservation Service's Resource Conservation and Development Area (RC&D) programs. This initiative combines RC&D and SBA resources to help rural firms, particularly farmers with niche market products, recognize their exporting potential.

Priority Ongoing Initiatives

- USDA's Export Readiness Training Program: Part of USDA's Emerging Markets Program, this FY 2000 pilot initiative for the Southeastern United States will help firms export to emerging markets.

- Services Initiative: During this coming year, TPCC agencies will design new products and services, including market research and possibly trade finance tools, to meet the specific needs of services firms. The initiative will include a training program for our domestic and overseas trade specialists and other TPCC partners on how to counsel and assist services firms. Over the coming year, TPCC agencies will develop a 2002 budget initiative to enhance our programs to these firms.

Canadian Training Initiative

In the early 1990s, the Canadian federal government launched an initiative to increase the export of business and professional services from Canada and was successful in increasing average annual export growth from 8.6 percent to 14.9 percent. This was accomplished by developing tools and training for trade officers, service industry associations, and private sector firms. Based on the success of the Canadian initiative, the Hong Kong Trade Development Council undertook training of its trade development officers, resulting in a similar increase in service exports.

- Programs for Underserved Communities: The Commercial Service will continue to expand its very successful Rural Export, Global Diversity, and Women in Trade initiatives, helping to train businesses in the export process and use technology to help reduce the costs of exporting to these businesses.

- Specific Initiatives Group: Ex-Im Bank has established a working group that will outreach to traditionally underserved markets, such as women- and minority-owned companies and small businesses in rural and economically depressed areas.

Environmental Technologies

ENVIRONMENTAL TECHNOLOGIES BUDGET INITIATIVES FOR FY 2001

TDA - Promotion of Energy-Efficient Projects

- The President's International Clean Energy Initiative requests $5 million in new funding for TDA to use its feasibility study and technical assistance tools to promote the implementation of commercially-viable energy-efficient projects. TDA will help energy sector project sponsors prepare bankable presentations through project planning and preparation activities. TDA will also use its existing trust funds at multilateral development banks to fund project development activities for clean energy projects that will likely receive MDB financing.

TDA - Emergency Management Sector

- TDA plans to conduct a Latin America and Caribbean Emergency Management Conference in FY 2001 to bring together U.S. companies and emergency management providers in the region. In addition to sponsoring this conference, TDA will aggressively promote this new sector on a bilateral basis with its core activity—feasibility studies.

Commerce - Capacity Building Program

- In support of the International Clean Energy Initiative, the President has requested $4 million for the Commerce Department to undertake a range of activities aimed at increasing clean energy and environmental technologies exports and helping a number of emerging markets improve their institutional capacity, regulatory framework, and technology expertise.

OPIC - Enhanced Monitoring Initiative

- OPIC has asked for $1.2 million for a Labor/Environment Program Investment that will enable it to more proactively monitor projects. Additional environmental and labor staff are needed to implement a more systematic approach to OPIC's growing monitoring responsibilities and workload.

Ex-Im Bank - Financing Energy Projects

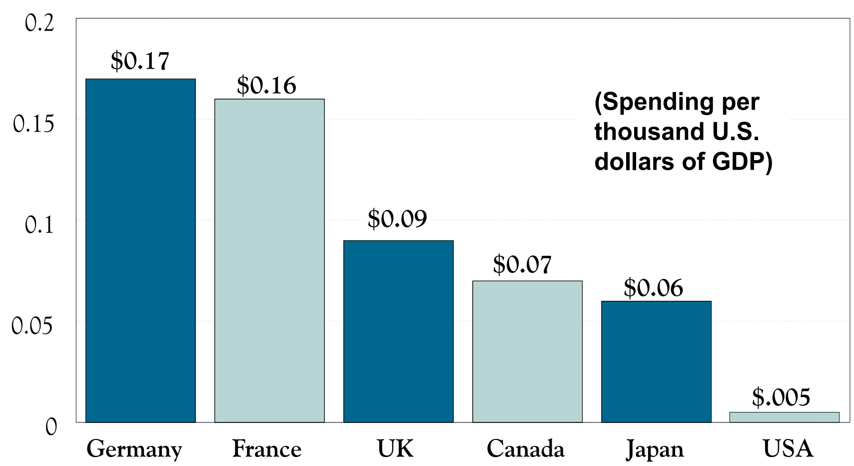
- The Administration seeks $15 million in new funding for the Ex-Im Bank in support of the International Clean Energy Initiative. Recent Ex-Im Bank initiatives in the clean energy field will increase demand for its programs in FY 2001. In April 1999, Ex-Im Bank announced a $100 million facility designed to finance China's purchase of renewable energy, clean coal, and energy efficiency projects. Similar facilities were announced for Argentina in July 1999.

Environmental Technologies

Development of international environmental technology markets is critical to both global sustainable development and U.S. economic growth, jobs, and exports. The Administration's original export strategy for this sector has facilitated the doubling of U.S. environmental technology exports over the past five years. However, we now need a new approach that reflects changing market conditions and fierce international competition.

Foreign Competitor Spending on Comparable TDA Programs

1998 Spending in Relation to GDP



Source: U.S. Trade and Development Agency

There is no doubt that projects in these areas present excellent opportunities for U.S. companies. The challenge is that these same U.S. companies are facing extremely strong foreign competition. Worldwide, this industry receives more direct government support than most—which makes it very difficult for U.S. businesses to compete without the support of federal export promotion programs such as the project development activities of the U.S. Trade and Development Agency (TDA). The chart on this page shows our major competitors' spending across all industries on TDA-like programs. It demonstrates our competitors' access to one type of support that can be critical to winning environmental technology projects.

Major competitor countries, particularly in Europe and Japan, have earmarked significantly greater resources to promote and finance their industries' environmental technologies exports. Many of these countries fund massive levels of technical assistance that can be used to influence procurement decisions but which is counted as foreign assistance.

Competition In Europe

Currently, the competition we face in Central and Eastern Europe is being driven by the battle over market share in the European Union (EU) accession countries. U.S. firms face tremendous hurdles in getting involved in infrastructure projects in these countries because of the massive amounts of tied grants being channeled into Central and Eastern Europe by the EU's pre-accession strategic aid instruments. These EU aid instruments—the Phare Program ($1.5 billion), the Instrument for Structural Policies for Pre-Accession program ($1 billion), and the SAPARD (aid for agricultural development) program ($500 million)—together devote over $3 billion per year in assistance to the ten EU candidate countries.

TDA estimates that the EU is pumping roughly $60 million in TDA-like assistance annually into these countries—ten times the amount TDA was able to devote to Europe in FY 1999 and not including the bilateral assistance of individual EU countries. When we hear about opportunities in Central or Eastern Europe, and we discover that a program like PHARE is already involved in some aspect of the project, we know that U.S. exports are already at a competitive disadvantage.

Competition In Asia

In Asia, donor countries, particularly the Japanese, have been successful at essentially packaging trade subsidies as developmental assistance. By offering concessionary loans to Asian governments, they are able to steer lucrative contracts for the development of infrastructure projects towards companies in their countries. We have seen this approach used successfully and repeatedly in the transportation, power, and environment sectors.

The increasing attention on the environment has provided our competitors a venue for pursuing their concessionary loan approaches even more aggressively, while providing these approaches with political cover. Japan, for instance, announced in 1997 at the Kyoto Conference that for "Special Environmental Projects" that help reduce global warming, it would lower interest rates and lengthen repayment periods on its Overseas Economic Cooperation Fund (OECF) loans to lower and middle income countries (for up to 40 years at 0.75 percent interest with grace periods of up to ten years). By doing so, it is now possible for Japan to tie financing to Japanese suppliers in a way that they have not done in the past. A wide variety of projects, including those of clear commercial interest, could be put in this category since most industrial, transportation, and energy projects affect greenhouse gas emissions. Already, Japan has funded a wide range of projects under this initiative. The U.S. Government is closely monitoring these projects for conformity with the Organization for Economic Cooperation and Development (OECD) tied aid rules.[1]

New Approaches

U.S. industry still exports a far lower share of its environmental technology sector output (approximately 10 percent) than its major foreign competitors. But it is

[1] See Trade Finance chapter for a discussion of tied aid and "Emerging Japanese Tied Aid Threat."

gaining ground in converting competitive advantages into overseas success with the help of the federal government. Growth prospects in this sector, as well as the practices of our competitors, call for new approaches that help U.S. firms capitalize on their technological leadership.

The global market for environmental technologies is growing rapidly, projected to reach $600 billion by 2010 from about $484 billion in 1998. Our “trade and aid” objectives intersect, given that U.S. companies often offer the best solutions to the environmental challenges of emerging markets. More and more countries are realizing that a failure to clean up their environment and invest in pollution prevention technologies can result in costs that, in the long run, are greater than the initial investment in pollution mitigation and prevention technologies. Extremely high costs are associated with environmentally related problems ranging from public health impacts to natural disasters. Middle income and developing countries are also facing political pressure from OECD countries to take steps now to address their environmental problems. Consequently, many countries have begun imposing penalties on those companies that are not complying with new, strengthened environmental regimes.

Disaster prevention and mitigation is a top priority for institutions such as the World Bank. The U.S. industry is a world leader in emergency management, equipment manufacturing and suppliers covering information technology systems, weather forecasting systems, financial and insurance services, telecommunications, and a wide variety of emergency response equipment. While demand in this sector has not always been steadfast, the ability to prepare for and mitigate the effects of disasters is now a top developmental priority for many newly developed and developing countries. Over the last two decades, the Bank has lent more than $14 billion for projects related to natural disasters to these countries. In July 1998, the Disaster Management Facility was established to provide proactive leadership for introducing disaster prevention and mitigation practices in the range of development-related activities and for improving emergency response. U.S. firms are well positioned to take advantage of the market opportunities that will emerge from the Bank’s efforts to make disaster risk management an integral part of sustainable development.

FY 2001 Budget Initiatives

TDA - Promotion of Energy Efficient Projects

In support of the Administration’s International Clean Energy Initiative, TDA will use $5 million of its requested budget to help energy sector project sponsors prepare bankable presentations through project planning and to support activities that promote the implementation of commercially-viable energy efficient projects. TDA's primary tool in this effort will be the funding of feasibility studies and technical assistance. The main areas of anticipated activity for TDA within this initiative include commercially viable clean fossil fuel technologies; gas development, expansion, and grid integration projects; clean transportation technologies, and combined heat and power (CHP) projects. TDA will also use its existing trust funds at multilateral development banks to fund project development activities for clean energy projects that will likely receive multilateral development bank (MDB) financing.

Promoting U.S. Energy Technology

The International Clean Energy Initiative (of the President's Council of Advisors on Science and Technology) helps advance the Administration's goals to address energy-linked economic, environmental, and security challenges. This initiative is designed to increase international market demand for innovative U.S. energy technologies, goods, and services. Activities focus on energy efficiency, decarbonization of fossil-fuels, encouraging power generation with renewable energy sources, and safer nuclear fission and fusion technologies for power generating plants.

TDA - Emergency Management Sector

If funding is available, TDA will follow-up its symposia in Turkey in 1999 and Asia this April (see Priority Ongoing Initiatives below) with a Latin America and Caribbean Emergency Management Conference in FY 2001 to bring together U.S. companies and emergency management providers in the region. In addition to sponsoring this conference, TDA will aggressively promote this new sector on a bilateral basis with its core activity—feasibility studies.

Commerce Department - Capacity Building Program

Also in support of the Clean Energy and Environmental Exports Initiative, the International Trade Administration (ITA) will undertake a range of activities, including trade promotion events as well as technical conferences and seminars aimed at increasing clean energy and environmental technologies exports. This initiative will provide assistance to a number of emerging markets to improve their institutional capacity, regulatory framework, and technology expertise. Progress in these areas will, in turn, lead to expanded clean energy and environmental markets and stronger environmental performance in the target countries. In developing this technical assistance program, ITA will build public-private partnerships, relying heavily on U.S. and overseas trade associations, universities, non-profit organizations, and U.S. clean energy and environmental companies. It will leverage all relevant existing government programs and investments in the target countries, working through the TPCC's Environmental Trade Working Group. Activities will build local-level human and institutional capacity, and lead to expanded opportunities for U.S. clean energy and environmental exporters. Activities include:

- Seminars to introduce U.S. environmental technologies that support sustainable development;
- Demonstration projects for foreign buyers to illustrate U.S. technical capabilities;
- Reverse trade missions to match foreign project sponsors and U.S. firms;
- Internships in the United States to teach clean energy/environmental practices.

Overseas Private Investment Corporation (OPIC) — Enhanced Monitoring Initiative

In FY 2001, OPIC plans to intensify its already strong focus on the environment by initiating a new program investment designed to increase and enhance its monitoring efforts. Funding of OPIC's Labor/Environment Program Investment will enable OPIC to be proactive rather than reactive in this area. OPIC's responsibilities in this area are ballooning—from 112 projects to monitor in 1995 to a projected 676 in FY 2001. Additional environmental and labor staff are needed to assist in this effort and to give OPIC the resources to implement a more systematic approach to these workload increases.

Export-Import Bank of the United States (Ex-Im Bank) — Financing Energy Projects

Recent Ex-Im Bank initiatives will increase demand for its programs in FY 2001. In April 1999, Ex-Im Bank and the Government of China, along with the U.S. Department of Energy and China Development Bank, announced a $100 million facility designed to finance China's purchase of renewable energy, clean coal, and energy efficiency projects. Similar facilities were announced for Argentina in July 1999.

In India, Chairman Harmon signed two Memoranda of Understanding on February 22, 2000 pledging cooperation on the financing of power projects beneficial to both India and the United States through participation in the India Energy Partnership Program, a project of the United States Energy Association and Agency for International Development (USAID). Ex-Im Bank expects that up to $500 million in new transactions could be financed as a result of the initiative.

"Indian buyers and U.S. exporters of clean energy technologies are looking for new sources of financing for power projects that contribute to economic and job growth in both countries while protecting the environment," Harmon said.

The agreement signed by Ex-Im Bank and the Power Finance Corporation of India could lead to sharing of information on all aspects of power generation in India, including regulation, operations, and management. Furthermore, the Corporation will identify power projects appropriate for Ex-Im Bank financing, focusing on clean and efficient power technologies, goods, and services.

Priority Ongoing Initiatives in FY 2000

TDA - Targeting Key Regions

Asia

The Philippines, Thailand, Korea, and Malaysia have ambitious investment plans to provide safe drinking water and to reduce the emissions level of toxic chemicals in the air. Given the limited resources of the public sector, governments are encouraging the private sector to undertake many of these investments. As a result, detailed feasibility studies and various other forms of technical assistance for tender preparation and concession negotiations for water rights, land use, and tariffs are in great demand. By offering its program in most Asian countries, TDA will help U.S. companies pursue the lucrative opportunities that these projects represent.

Europe

There is intense political pressure for the countries that most recently acceded to the EU to adopt the strong environmental regimes of their Western European counterparts. Because of the enormity of the task at hand in cleaning up these former Soviet-bloc, high-pollution countries, the western Europeans are funding billions of dollars in grant assistance to help with these projects. TDA is taking steps to secure a foothold in the European market in the environmental sector, and to ensure that U.S. businesses are not completely locked out of this sector.

TDA - New Emergency Management Initiative

In December 1999, TDA hosted an Earthquake Reconstruction Symposium in Istanbul and Ankara. The event began a cooperative relationship between the United States and Turkey on natural disaster preparedness, recovery, and response. Public and private sector representatives from the American engineering community, the Federal Emergency Management Agency (FEMA), the U.S. Geological Survey, the Earthquake Engineering Research Institute, and several high-risk earthquake cities discussed the municipal role in preparedness, critical infrastructure readiness, regional management, and building public confidence. In April 2000, TDA, in cooperation with FEMA and the Department of Commerce, will host a conference on matching U.S. technology and know-how with emergency management providers throughout Asia who are shifting their focus from recovery and reconstruction to better preparation and loss prevention.

Commerce Department - Responding to U.S. Industry

ITA's Environmental Technologies Exports Office continues to carry out the Administration's "Strategic Framework for Environmental Exports." In the coming year, priority activities include:

- Helping the private sector Environmental Technologies Trade Advisory Committee (ETTAC) conduct meetings and produce "white papers" for the TPCC;
- Conducting export finance seminars at five U.S. cities with Ex-Im Bank and TDA assistance;
- Sponsoring a water resources training workshop for Chinese managers; and
- Conducting an aggressive program of international and domestic trade promotion events.

OPIC

OPIC will continue to play a leadership role in discussions about the harmonization of environmental and worker rights standards among bilateral and multilateral lending institutions. OPIC is a leader among bilateral investment agencies in developing and applying environmental standards that are both reasonable and effective. Since 1985, OPIC has been required by statute to assess the environmental impacts of prospective projects, and to decline support for projects posing major or unreasonable adverse environmental impacts.

OPIC and Commerce Advocacy Help Small Business Clinch Kenya Project

Jane Dauffenbach, President of Aquarius Systems, North Prairie, Wisconsin, says that with OPIC's help, Aquarius Systems has been able to enter new markets, remain a strong international competitor, and start projects previously unattainable to the company. OPIC's $1.4 million political risk insurance commitment and the security it provided were instrumental in convincing the company's bank to finance its project in Kenya, sponsored by the World Bank. The project involves removing a water hyacinth infestation in Lake Victoria that is harming the livelihoods of fishermen, damaging the capacity of sewage treatment plants, and limiting boat transportation and commerce across the lake. "When we told our bankers that we won the Kenya bid, they were delighted with the news, but uncomfortable with the thought of our sending equipment to a country in Africa for 12 months or more. It certainly was not a typical transaction for us or our bank. Although they were unfamiliar with OPIC at first, once they understood the political risk coverages we intended to buy, they proceeded to finance our needs," says Ms. Dauffenbach.

With OPIC's support, Aquarius Systems finalized a contract in May 1999 with Kenya's Ministry of Natural Resources (MNR), beating out a field of 17 international competitors. But the deal then stalled when foreign governments continued to lobby for their firms, strongly urging the Kenyans to overturn the contract. Consequently, the Advocacy Center worked with Commercial Service Nairobi to alleviate concerns of the Kenyan MNR and Ministry of the Treasury. Aquarius ultimately prevailed, despite the fact that the Japanese Government was offering the Kenyans both the equipment and the money to run the operation. This small Wisconsin firm states that the project, valued at $1.7 million, is almost 100 percent U.S. content and creates or retains nearly 25 Wisconsin jobs. Ms. Dauffenbach says that Aquarius "will continue to involve the Advocacy Center and other ITA offices on new projects as we move forward in the developing countries of the world."

Ex-Im Bank - OECD Initiative on the Environment

Ex-Im Bank and Treasury (as lead agency in OECD export credit negotiations) will continue to play a strong leadership role among international export credit agencies (ECAs) in developing common environmental guidelines that would be applicable to all ECAs. Underscoring the importance placed on this initiative, the G-8 Heads have mandated that ECAs, within the structure of the OECD, develop "common environmental guidelines" by the 2001 G-8 Summit. The OECD Ministers have also mandated "strengthening common approaches" toward the environment among ECAs, and reporting back on progress at the 2000 Ministerial.

This activity, coupled with pressure from environmental non-governmental organizations, has prompted some ECAs within the OECD Export Credit Group to introduce varying levels of environmental screening and review procedures to transactions they support; some ECAs have reported unilateral progress in this regard. Despite this progress, most countries continue to resist any efforts to work towards a multilateral commitment for common environmental guidelines, and instead are pushing for a policy based on voluntary, project-specific environmental information exchanges. The U.S. Government will continue to push for progress on this issue at both the technical level (in the OECD) and the political level, including pressing ECAs to commit to a work plan that will enable us to adopt common guidelines.

International Clean Energy Initiative

To accelerate the development and deployment of clean energy technologies around the world, President Clinton is proposing the Clean Energy for the 21st Century: International Initiative—a $200 million multi-agency effort to encourage open competitive markets and remove market barriers to clean energy technologies in developing and transition countries and to provide new incentives for clean energy technology innovation and export. This initiative will promote U.S. exports and create high-value jobs, and will help countries power their economic development while fighting air pollution and climate change.

Developing country energy use will overtake that of industrial countries in the next 20 years. These energy technology markets are projected to total $4 to $5 trillion over the next 20 years and $15 to $25 trillion over the next 50 years. Developing country energy use is expected to account for three-fourths of the increase in global energy use between now and 2050.

Advanced, low-polluting energy technologies can provide these energy services efficiently, but existing markets often do not value these benefits. In addition, environmentally superior options often carry higher up-front costs, may be unfamiliar, or are perceived as more risky by decision-makers in developing countries. The initiative will help lay the technical and policy foundation that will allow developing and transition countries to build a clean energy future, leapfrogging past the polluting energy technologies used by the industrial countries, while building competitive markets open to U.S. firms. The goals of this initiative include:

- Doubling clean energy technology exports by 2005, creating as much as $5 billion in new export revenues for U.S. companies and as many as 100,000 new U.S. jobs.
- Cutting energy use in targeted country buildings and appliances in half through advanced building design tools and building equipment codes and standards.
- Developing integrated renewable energy technologies that have the potential to power the full range of energy services for the 2 billion people in developing countries that do not now have electricity.
- Sharply reducing sulfur, particulate, and greenhouse gas emissions by developing advanced coal-fired power plants and low-cost hydrogen fuels.
- Maximizing use of combined heat & power systems through technical and policy assistance.
- Reducing transition and developing country methane emissions from pipelines and other fossil sources by an amount equal to 100 million metric tons of carbon per year by 2005.
- Providing technical and policy support to encourage the development of natural gas grids.
- Reducing energy use in the industrial sector through the introduction of best practice methods, including advanced sensors and controls, and energy-efficient motor drive systems.
- Conducting research in nuclear energy to address cost, waste, safety, and proliferation concerns.

Initiative Structure: This initiative will streamline current bureaucratic procedures to better assist U.S. firms wishing to invest in clean energy projects in developing and transition countries. By doing that, it will encourage public-private partnerships with foreign counterparts to demonstrate clean energy technologies, drive down their cost, and facilitate private sector financing for their large-scale deployment. It will also encourage open, competitive markets while protecting public interests. The initiative will employ a range of proven policy tools, including U.S. technical and policy assistance to developing countries through personnel exchanges, conducting collaborative R&D with key foreign research groups, developing integrated renewable energy, energy efficiency, and advanced fossil energy technologies and pilot projects, and providing a range of trade supports to expand clean energy exports. The initiative funds new activities at the Departments of Energy and Commerce, USAID, Ex-Im Bank, and TDA.

The Market Potential of China

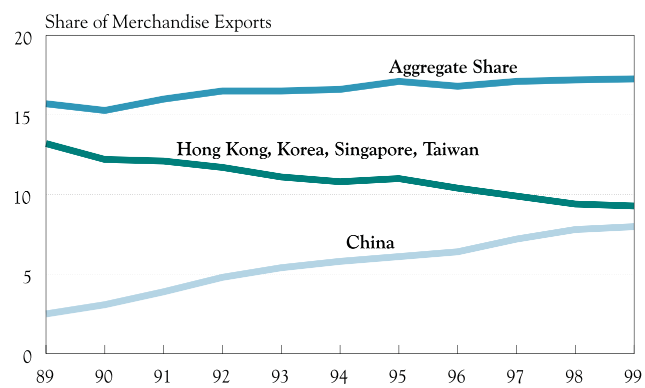
The Market Potential of China

No market in the world represents as much untapped potential growth for U.S. exports as China. China's economy is already among the world's largest with over 1.2 billion consumers, and over the past 20 years has expanded at a phenomenal annual rate of nearly 10 percent. During this time, U.S. exports to China have grown from negligible levels to over $13 billion annually.

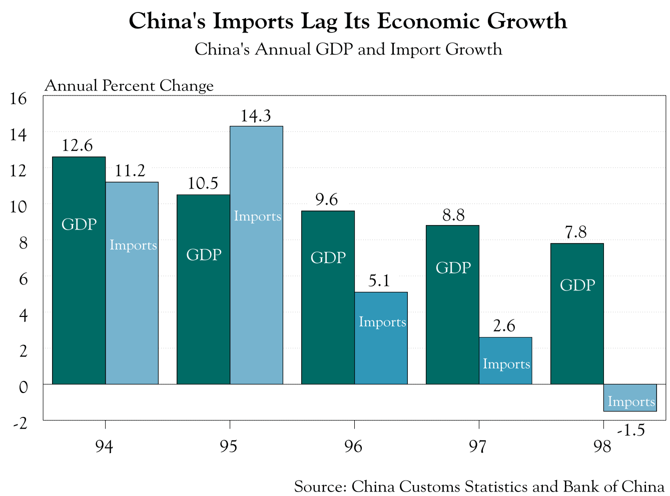
> "If you believe in a future of greater openness and freedom for the people of China, you ought to be for this agreement. If you believe in a future of greater prosperity for the American people, you certainly should be for this agreement. If you believe in a future of peace and security for Asia and the world, you should be for this agreement. This is the right thing to do. It's an historic opportunity and a profound American responsibility."
>
> William J. Clinton
> President of the United States

At the same time, our trade deficit with China has ballooned, and now stands second only to Japan at $69 billion in 1999. Much of our overall trade deficit is due to the strong growth in the United States, coupled with weak growth in other parts of the world. With China, it is also important to look at the composition of the trade deficit and its impact on the U.S. economy. Our rising imports from China, which consist mostly of consumer goods like footwear, apparel, toys, and some consumer electronics products, reflect a shift in production from other parts of Asia. Over the past decade, the share of U.S. imports from China and the Asian Newly Industrialized Economies (Hong Kong, South Korea, Singapore, and Taiwan-NIEs) together has remained virtually constant — about 16 percent in 1989 and 17 percent in 1999, with minimal variation between those years. In short, China's growing share of the U.S. market for these goods is coming at the expense of other Asian producers, not U.S. firms. For example, between 1990 and 1994, U.S. imports of footwear from the Asian NIEs dropped from $4.2 billion to $1.2 billion, while imports of footwear from China went from $1.4 billion to $5.2 billion, as Taiwanese, Korean, and other Asian firms shifted their production to China. Imports of Chinese footwear have almost completely displaced footwear imports from Asian NIEs.

The Aggregate Share of U.S. Imports From China and the Asian NIEs has Remained Constant



Source: U.S. Department of Commerce



A central issue with China's trade is that its imports have grown more slowly than would be expected of an economy growing from 7-10 percent each year. Between 1994 and 1998, Chinese imports grew at an annual rate of 6.6 percent while its economy grew at a 9.8 percent rate (using published Chinese data). In most market economies, imports grow faster than GDP. China's relatively slow import growth can partly be attributed to government policies that encourage local production at the expense of imports. These policies include tariffs, quotas, subsidies, and investment measures to discourage imports in lieu of domestic production. For example, in 1994, China announced an automotive industrial policy plan which included a discriminatory tax, a subsidy, and resource and credit-allocation provisions; government approvals and explicit limits on the number of joint-venture assembly projects; local content requirements; import restrictions, including bans on imports of semi-knocked down and completely knocked-down kits; export performance requirements; limits on foreign equity in vehicle projects; and a general prohibition on wholly-foreign-owned enterprises in this sector.

The China World Trade Organization (WTO) agreement would dramatically change this. This agreement secures broad-ranging, comprehensive, and one-way market openings for American goods and services into the Chinese market. The agreement addresses almost all of the barriers U.S. exporters have complained about: industry technology transfer requirements, lack of access to the distribution system, discriminatory application of the value-added tax on imports, and various import substitution policies. The Department of Agriculture (USDA) estimates that agricultural exports would increase by $2 billion by 2005 as a result of reduced tariff and non-tariff barriers resulting from China's WTO accession. Economists in the private sector estimate that U.S. exports to China could increase by as much as an additional $13 billion by 2005.

What We Gain from China

Agriculture Tariffs will be Cut by More Than Half on Priority Products. Sales in the Chinese market will be a boon to American farmers. On U.S. priority agricultural products, tariffs will drop from an average of 31 percent to 14 percent by January 2004, with even sharper drops in commodities like beef, poultry, pork, and cheese. China will significantly expand export opportunities for bulk commodities such as wheat, corn, and rice, and will eliminate trade-distorting export subsidies. Our producers may also export and distribute directly inside

China nearly every agricultural product without going through state-trading enterprises or middlemen.

Industrial Tariffs will be Slashed. Industrial tariffs on U.S. products will fall from an average of 25 percent in 1997 to an average of 9 percent by 2005. On priority industrial products like capital equipment, medical equipment, wood products, and chemicals, tariffs will fall to 7 percent, most by 2003. Considering that manufactured goods comprise a large proportion of American exports, the drop in Chinese tariffs is good news for our high-tech manufacturers and basic industries.

Right to Import and Distribute. At present, China severely restricts trading rights (the right to import and export) and the ability to own and operate distribution networks. Both are essential to move goods and compete effectively in any market. China will phase in these trading rights and distribution services over three years, and also open up sectors related to distribution services, such as repair and maintenance, warehousing, trucking, and air courier services. This will allow our businesses to export to China from here at home and to have their own distribution networks in China, rather than being forced to set up factories in China to sell products through Chinese partners. This is a top priority of U.S. manufacturers and agricultural exporters.

New Markets for Information Technology (IT). China will participate in the Information Technology Agreement and will completely eliminate tariffs on products such as computers, semiconductors, and Internet-related equipment by 2005. Our IT firms lead the world and stand to earn handsomely in this huge, expanding, information-hungry market.

Small Businesses are Big Exporters to China

A key segment of our exporting community that has much to gain from the agreement is our small and medium-sized firms.

- Over 7,500 SMEs already export to China, accounting for over one-third of all U.S. merchandise exports to that country, a higher share than SMEs constitute of total U.S. exports to the world.
- In 1997, 82 percent of all U.S. exporters to China were SMEs.
- The number of SMEs exporting to China rose faster than the number of large companies exporting to China.
- China is a significant and growing market for SMEs -- the 10th largest in 1997, up from 12th in 1992.

With China in the WTO, our SMEs will see considerable growth in new opportunities and will have recourse if market access problems arise.

Broad New Access for American Services Like Telecom/Insurance/Banking. The agreement also opens China's market for services. For the first time, China will open its telecommunications sector and significantly expand investment and other activities for financial services firms. And it will greatly increase the opportunities open to professional services such as law firms, management consulting, accountants, and environmental services.

Ensures Fair Trade and Protection of the U.S. Agricultural and Manufacturing Base. No agreement on WTO accession has ever contained stronger measures to strengthen guarantees of fair trade and to address practices that distort trade and investment. This includes a "product-specific" safeguard, in effect for a full 12 years, that allows us to take measures focused directly on China in case of an import surge that threatens a particular industry. The agreement also includes a provision that allows the United States to employ special methods designed for non-market economies to counteract dumping for 15 years after China's accession. China has agreed to implement the Trade Related Investment Measures (TRIMs) Agreement; eliminate and cease enforcing trade and foreign exchange balancing requirements, as well as local content requirements; and only impose or enforce laws or other provisions relating to the transfer of technology or other know-how if they are in accordance with the WTO agreements on protection of intellectual property rights or TRIMs.

The Chinese Market Without PNTR

If the United States does not grant China PNTR, and China becomes a member of the WTO, U.S. exporters will face significant disadvantages vis-a-vis their competitors.

- U.S. telecommunications service companies will be prohibited from providing services in China while EU and Japanese firms will be able to own up to 50 percent equity in Chinese telecommunications companies, and provide paging and mobile services to cities like Beijing, Shanghai, and Guangzhou.

- U.S. auto parts manufacturers will face restrictions on their ability to distribute, while Japanese and European companies will have the ability to control distribution to any part of China.

Without PNTR, U.S. companies will either have to locate production in China or move production from the United States to a country that receives the full benefits of China's WTO membership to remain competitive.

These provisions will also help protect American firms against forced technology transfers. China has agreed that, upon accession, it will not condition investment approvals, import licenses, or any other import approval process on performance requirements of any kind, including: local content requirements, offsets, transfer of technology, or requirements to conduct research and development in China.

What We Give in Return

In return for China's concessions, the United States gives up nothing. We will maintain our existing tariff schedules with China and will gain the right to strengthen safeguards against unfair Chinese imports. However, a fundamental principle of the WTO is that countries must treat imports from all WTO members in the same manner. Countries cannot give advantages or impose disadvantages or obstacles on some countries' products and not others. [GATT Article I requires that all WTO members grant each other “any advantage, favor, privilege or immunity” provided to other countries “immediately and unconditionally.”] Subjecting one WTO member to an annual review of its Normal Trade Relations (NTR) status—whether tied to Jackson-Vanik’s specific emigration-related conditions or not—is a clear and discriminatory condition that disadvantages imports from that country.

> “I believe winning this fight is more than just about getting 10 more votes, or counting votes. It’s about Americans understanding where the economy is going in the new century. And how important it will be to the workers of Coke, and Motorola, and General Motors, and Aetna, and thousands of small companies that make up a third of our exports to China.”
>
> William M Daley
> Secretary of Commerce

With the passage of permanent NTR (PNTR), our workers, farmers, and companies will gain the full market access benefits of the agreement, including special import protections and the right to enforce China’s commitments through the WTO dispute settlement system. Without PNTR, China will not have to honor all the commitments made in the WTO agreement to the United States. U.S. farmers, firms, and workers would be put at a serious disadvantage vis-a-vis our Asian, European, and Latin American competitors who would reap the benefits of the agreement we negotiated. By granting PNTR, Congress will ensure that China is bound by transparent and enforceable multilateral rules, and that U.S. firms and workers finally receive fair access to this critical market. U.S. companies will finally have a real choice between exporting or investing when trying to break into the Chinese market.

A Commercial Strategy for China

Over the next couple of years, our commercial strategy will focus on helping to ensure that U.S. companies are able to take advantage of these new opportunities as they unfold. TPCC agencies will increase our efforts to foster U.S. export growth to China through an aggressive trade promotion effort and by increasing U.S. business awareness of their new opportunities to gain access to the Chinese market. At the same time, we will work with the Chinese to ensure that they have the capacity and infrastructure to meet their WTO obligations. We will create a compliance monitoring system that will quickly identify any violations of the agreement and assertively use the WTO system to address them.

Ensuring Commercial Cooperation

To help China obtain the expertise necessary to implement the kind of market-based, rule-of-law system that membership in the WTO requires, the Administration is making assistance to the Chinese in meeting their WTO obligations a priority. This will be done through a number of interagency forums, principally under the United States-China Joint Commission on Commerce and Trade (JCCT) and the Commercial Law Development Program.

JCCT

The JCCT provides a government-to-government framework to promote U.S.-China commercial cooperation in a variety of sectors. Secretary Daley and Minister of Foreign Trade and Economic Cooperation (MOFTEC) Shi will co-chair the 13th JCCT in April. The United States plans to use the JCCT forum to work with the Chinese on a number of WTO-related issues, including:

- Cooperation in developing a dialogue on comparative law to exchange ideas on changing commercial laws and regulations to comply with WTO obligations. This dialogue will identify areas in which we can work together. This public-private partnership could involve U.S. and Chinese experts in government, business, labor, and academia.

- Discussions on adoption of international standards, and acceptance of international conformity assessment practices. Over the next twelve months, dialogues will occur on China's adoption of internationally accepted codes, standards, and conformity assessment practices for laboratory accreditation, nuclear power plants, cosmetics, automobiles, and medical devices.

- Seek China's agreement to establish a U.S. standards expert in Beijing to facilitate these and other TBT implementation initiatives in 2001.

Commercial Law Development

WTO rules will require widespread and complex changes in China's application of trade rules and policies. Training can head off problems that might occur because of lack of knowledge. The State Department will work with the Department of Commerce's Commercial Law Development Program on a technical assistance package, depending on funding, that will direct assistance to Chinese legal and administrative initiatives that are oriented toward market-based commercial activity. These efforts will focus on government procurement regulations and processes, customs regulations and procedures, ethics, dispute settlement, and deregulation.

WTO Accession Monitoring Plan

The WTO agreement will strengthen our ability to ensure China comes into compliance with its obligations by giving us the option of pursuing violations under the WTO dispute settlement system. To make sure that China actually makes the changes required in its trade rules and regulations and lives up to its commitments, the Administration has proposed the largest and most comprehensive monitoring and enforcement effort ever mounted for any trade agreement.

As part of the President's Trade Compliance Initiative, the Administration has asked for $22 million for a major increase in overall compliance activities, with China's WTO compliance a prominent feature. All U.S. Government trade-related agencies will participate in monitoring China's efforts to meet its obligations in the WTO.

Opportunity for Medical Equipment Firm

Awareness Technology, Inc. (AT) of Florida manufactures laboratory instruments used in the medical industry, and is a regular exporter to China. While annual sales to China accounted for roughly 18 percent of the company's revenue in 1996, sales have fallen in recent years as the Chinese Government has encouraged the purchase of domestic products. Due to high tariffs imposed by China, AT products cost more than the similar domestic products. However, under the WTO agreement, China will lower its tariffs on laboratory equipment from an average of 13 percent to an average of 6 percent, making U.S. products competitive. Also, China will be required to charge the same tax rates to all products, whether foreign or domestic, so that AT products will compete with Chinese products on a level playing field.

The plan calls for increased resources to more than double the number of staff involved in monitoring China's compliance from Washington, creation of an office devoted exclusively to dumping cases on Chinese products, and placement of trade experts in our embassy in China devoted to monitoring compliance and supporting enforcement of U.S. trade laws.

Resources will be included to enable the Administration to work closely with China to resolve compliance problems as soon as they emerge, to initiate and pursue vigorously whatever WTO dispute settlement cases may be necessary, and to utilize the provisions of U.S. trade law as needed. Particular attention will be given to ensuring full implementation of the agreement's strong protection for American farmers and workers, including the Product-Specific Safeguard that guarantees the United States can impose emergency limits on imports from China if they should rise so rapidly as to injure domestic producers in the United States.

Creating Opportunities for U.S. Businesses

The rationale behind making sure China becomes a viable member of the WTO is to make it easier for U.S. businesses to export. With Chinese accession into the WTO, U.S. businesses will face significantly lower tariffs, reduced licensing and quota restrictions, non-discriminatory applied value-added tax, and will not have to go through state-owned trading enterprises to export. To ensure that U.S. companies are able to take advantage of the prospects presented by China's assession into the WTO, TPCC agencies are working on a number of fronts—

from trade missions to trade finance—to increase U.S. companies' knowledge of what the agreement means so that they can make the most of the opportunities.

JCCT

A key venue for this effort will be the JCCT, which in addition to its activities in providing assistance to the Chinese in living up to their WTO commitments, also assists U.S. firms in taking advantage of the new opportunities created by those commitments. JCCT activities over the coming year will include:

- A Virtual Trade Mission: To facilitate SMEs' entry into the Chinese market, the Department of Commerce will hold a video conference between the U.S. and Foreign Commercial Service (US&FCS) Beijing and/or Shanghai and three or more U.S. Export Assistance Centers (USEACs). If this event is successful, we will develop others with different USEACs and different buyers in China.

- Virtual Trade Shows: To expose potential Chinese buyers to U.S. companies, a U.S. small business can "exhibit" its product at the E-Expo web site instead of on the floor of a trade show for a fraction of the cost, reaching everyone who "hits" the site from around the world. This enables Chinese buyers to travel through cyberspace to the United States and buy at a virtual trade show without leaving home. Or—if they decide to travel to the United States—it gives them access to company information in advance of the trade show, and enables prequalified appointment-setting with U.S. exhibitors and suppliers during the time they are there. This is particularly useful in the China market because of the high costs of travel to and from China.

- Purchasing Missions: To enhance our knowledge of export opportunities to China, the Department of Commerce is working with the Chinese to develop several purchasing missions which will come to the United States in 2000 and 2001.

- Promotional Events: To highlight market opportunities in key industry sectors such as agricultural equipment, environmental technologies, information, aviation, and motor vehicles, TPCC agencies and Chinese entities will host over 30 promotional events. Trade missions for the clean energy and housing sectors are being planned for mid-FY 2000 and early FY 2001, as well as official U.S. participation in major automobile, medical-equipment, nuclear-energy, and machine-tool shows taking place in China.

- Partner Events: To help increase private sector and state activities in China, TPCC agencies will continue to support dozens of other events and missions such as the recent West Virginia Project Harvest trade mission, the International Franchise Association trade fair, the State of Illinois trade mission, and the National Association of Home Builders and PhRMA trade missions, among many others. Key among these efforts is the Market Development Cooperator Program (MDCP) which helps underwrite the start-up costs of programs of nonprofit export multipliers (states, trade associations, chambers of commerce). This approach is especially effective in a difficult market like China. There are currently four active cooperators in China.

    - The Construction Industry Manufacturers Association operates an office in Beijing to monitor the many export opportunities in China's construction sector.

    - The Oahu Economic Development Board has undertaken a multi-faceted marketing program including market research, seminars, training, video conferencing, etc. to capitalize on health care opportunities in China.

    - The World Trade Center Pittsburgh has developed a systematic approach to matching companies in western Pennsylvania with opportunities in the environmental technologies field in China.

    - The Minnesota Organization for Global Professional Assignments, Inc. (MOGPA) works with university business schools nationwide to train business school students in Chinese language, history, and culture, and arranges internships and permanent jobs for selected students with American companies operating in China.

$14 Million in Construction Equipment Exports

With its Market Development Cooperator Program (MDCP) partnership, the Construction Industry Manufacturers Association (CIMA) was able to help small U.S. construction equipment companies sell $6.6 million of equipment in fiscal 1998 and $7.4 million in fiscal 1999.

Using the MDCP grant and working with Department of Commerce officials in China, CIMA is able to provide regular updates on leading construction projects in China and translation and logistical support for U.S. companies. CIMA's Beijing office provides numerous market research reports on specific products such as aerial work platforms and asphalt mixing plants. Relying on its own in-country expertise, CIMA's Beijing office has advised many U.S. companies on the pros and cons of potential partnerships with Chinese companies. CIMA's office has also succeeded on several occasions at assembling sizable audiences where U.S. construction equipment manufacturers have presented their products to Chinese contractors.

- Export Controls: To increase our confidence on uses of U.S. technology exports, we will work with the Chinese to improve mechanisms for conducting end-use visits on U.S. items imported into China. We are also working with MOFTEC to develop, on a case-by-case basis, end-user certificates for items other than those controlled for national security reasons.

Agriculture

To help cope with the expected boost in demand for agricultural commodities such as meat, grains, citrus, and vegetable oils as a result of the agreement, USDA proposes establishing an Agricultural Trade Assistance Center (ATAC) in Beijing. Staff at this center will assist U.S. farmers, agricultural associations, and states in identifying opportunities in China, especially in rural areas.

Trade Financing

Ex-Im Bank also projects an increase in demand for financing in China, especially for sovereign guaranteed loans for medical equipment and environmental technologies, as well as for non-sovereign credits. Limited recourse project finance structures may be possible for Chinese projects in the near future, depending on Ex-Im Bank's comfort level with the legal regime in China. Additionally, U.S. suppliers will be bidding on a nuclear project with U.S. costs totaling more than $1.0 billion.

China is already Ex-Im Bank's largest market, with slightly more than $6 billion in outstanding loans and guarantees. The Bank has several large potential project finance transactions, and has increased its business development efforts for exports other than aircraft and energy. To position itself to better help U.S. firms with their financing demands, Ex-Im has recently opened its programs to support the sale of U.S. exports to the private sector, and is planning to place a joint Ex-Im Bank/Commerce Department representative in Beijing later this year.

Ex-Im Bank Helps Environmental Company

In April 1999, Ex-Im Bank guaranteed a $4.3 million working capital loan to Pollution Research and Control Corporation of California. This guarantee allowed the company to sell air quality monitoring equipment to China.

"Without Ex-Im Bank support, the deal never would have gone forward. The commercial banks were unwilling to provide financing. With Ex-Im Bank support, we were able to expand production and hired an additional 35 employees," said Al Grosselin, President of the company.

Conclusion

It is clear that China's WTO accession, following passage of PNTR, will be a solid economic win for the United States. It will open China's enormous market to U.S. products and services without changing China's access to the U.S. market. It will also help open and liberalize China's economy, and integrate China more fully into the world economy. TPCC agencies are positioning themselves to ensure that U.S. exporters are able to take full advantage of the tremendous opportunities this agreement will provide.

Trade Promotion Spending and Performance

Funding of New FY 2001 TPCC Export Promotion Initiatives by Authorizing House and Senate Appropriations Committees
(excludes initiatives supported by agencies' program budget requests)
($ millions)

Trade Promotion Coordinating Committee Agencies and Proposed New Export Promotion Initiatives			House Subcommittee on Commerce, Justice, State, the Judiciary & Related Agencies and Senate Subcommittee on Commerce, Justice, State & the Judiciary	House Subcommittee on Agriculture, Rural Development, FDA & Related Agencies and Senate Subcommittee on Agriculture, Rural Development & Related Agencies	House Subcommittee on Foreign Operations, Export Financing & Related Programs and Senate Subcommittee on Foreign Operations
Under the President's Initiatives for Manufacturing					
Expanding Trade Promotion & Financing					
Ex-Im:	$215.0	To absorb higher international lending costs resulting from financial crises [1]			✔
Commerce:	11.6	To expand use of new technologies to increase exports	✔		
Trade Compliance					
Commerce:	16.2	To monitor trade agreements compliance	✔		
State:	3.0	To better train economic officers in monitoring	✔		
USTR:	1.3	To bolster legal & technical expertise	✔		
USDA:	1.5	To bolster legal & technical expertise		✔	
Under the President's International Clean Energy Initiative					
Commerce:	4.0	To promote exports & help countries improve regulatory frameworks & technology expertise	✔		
TDA:	5.0	To fund feasibility studies of energy efficient projects			✔
Ex-Im:	15.0	To support energy efficient trade			✔
Other Initiatives					
Commerce:	11.7	To adjust US&FCS base funding	✔		
	4.0	To help underserved communities tap tourism opportunities	✔		
OPIC:	1.2	To enhance environmental & labor monitoring			✔
SBA:	3.5	To increase presence at USEACs	✔		

[1] Includes $15 million also shown as part of the President's Clean Energy Initiative

Trade Promotion Spending and Performance

The Export Enhancement Act of 1999 (P.L. 106-158, Section 7) synchronized the development of the National Export Strategy (NES) with the President's budget by requiring delivery of the NES March 30. Before this change, the October NES report would be delivered too early for one budget process, and too late for the next. The NES now presents decisions made during the Administration's priority setting budget process. The resulting initiatives reflect a more operational cross-cutting export promotion strategy, directly linked to the budget process.

The trade promotion budget cuts across agencies, budget functions, authorization committees, and appropriation subcommittees. For example, the budget process disperses trade promotion across:

- Nineteen agencies
- Five budget functions—International Affairs (Function 150), Energy (Function 270), Agriculture (Function 350), Education, Training Employment, and Social Services (Function 500) and General Government (Function 800)
- Seven appropriations subcommittees—Foreign Operations, Commerce/ Justice/State, Treasury/Postal, Agriculture, Interior and Related Agencies, Energy and Water, and Labor/Health and Human Services/Education (see table opposite page to see how FY 2001 initiatives are related to these committees).

During the preparation of the FY 2000 Budget, the Office of Management and Budget (OMB), with the cooperation of the TPCC, made important progress on a comprehensive and coordinated review of Federal efforts in trade promotion. In addition to these efforts coordinated within the TPCC, each agency will deliver annual performance plans and reports under the Government Performance and Results Act (GPRA).

Unified Budget Data

Table 1 summarizes budget authority for trade promotion activities by agency from FY 1999 through proposed levels for FY 2001. Total TPCC spending in FY 2000 will be about $2.4 billion, a slight reduction from FY 1999. Proposed FY 2001 funding is $2.3 billion, a slight net reduction of $40 million (-1.7 percent) from FY 2000. The proposed FY 2001 level for Ex-Im Bank is $215 million higher than the FY 2000 level, representing the largest proposed increase for any one agency. The largest FY 2000 to FY 2001 decrease for an agency in Table 1 is the $294 million reduction in the Agriculture Department (USDA) figure, reflecting a shift toward outright donation—rather than traditional TPCC export promotion—of very low priced commodities overseas.

TABLE 1: TRADE PROMOTION COORDINATING COMMITTEE

Budget Authority	FY 1999 Actual	FY 2000 Estimate	FY 2001 Budget
Department of Agriculture	1,904	1,305	1,011
Department of Commerce	270	274	309
Department of Energy	8	8	8
Department of Labor	1	1	1
Department of State (a)	122	124	129
Department of Transportation	0	0	0
Department of Treasury	2	2	2
Environmental Protection Agency	0	0	0
Export-Import Bank	812	796	1,010
Overseas Private Investment Corporation	(175)	(204)	(220)
Small Business Administration	11	8	10
Trade and Development Agency	61	44	54
U.S. Trade Representative	26	26	30
Agency for International Development (b)			
TOTAL	3,043	2,388	2,342

Notes
Amounts may include administrative expenses and transfers in some instances; they are not directly comparable with appropriations. Consult with each agency before interpreting this table for appropriations purposes. Amounts may be restated in the future to reflect changes in data or definitions.

(a) USIA is now displayed within the Department of State.

(b) USAID amounts are not displayed in this table, as its activities indirectly support trade promotion through broad economic growth and reform.

The Administration has requested a significant increase in the Ex-Im Bank's credit subsidy funding for FY 2001 due to higher levels of lending risk in the wake of the international financial crisis. The Federal Credit Reform Act requires Ex-Im Bank, and other agencies, to budget for the risk of default and the costs of financing loans and guarantees. Without higher budget resources to balance against the higher risks of default, Ex-Im Bank would have had to raise fees to its clients, or significantly cut back its lending levels.

Table 2 considers the distribution of Federal spending across the major trade promotion functions.[1] Beginning with the TPCC's National Export Strategy of October 1994, seven major areas for Federal involvement have been identified:

- Negotiating open markets, and lowering and removing trade barriers;
- Combating foreign export subsidies;
- Financing and insuring U.S. trade and investment;
- Providing information, counseling, and export assistance services;
- Providing government-to-government advocacy on behalf of U.S. business;
- Funding feasibility studies on major infrastructure and development projects; and
- Developing foreign markets for U.S. goods and services.

For FY 2000 and 2001, more trade promotion funding is allocated to combating foreign export subsidies than any other category. The FY 2001 allocation represents a change from FY 2000, when combating foreign export subsidies was a close tie to trade and investment finance and insurance. The reallocation between classifications was due to Ex-Im Bank decreasing funding for trade finance, and USDA's reduction of finance support.

Performance Measurement

Past TPCC reports included broad measures of performance, such as exports and jobs supported, that were meant to cut across agencies and programs. Beginning in FY 1999, however, GPRA requires all U.S. Government agencies, including TPCC agencies, to develop a performance plan, including specific performance indicators with target values for FY 1999. In most cases, indicators developed by each agency for its performance plan differed from those of other agencies, as well as from the cross-cutting measures developed for prior TPCC reports.

The TPCC is continuing its work with agencies to develop appropriate cross-cutting indicators that can be used both in individual agency plans and to allow comparisons of performance across agencies.

[1] At a practical level, the unified budget is limited by the availability of data aligned along the TPCC framework. While agencies have presented data here in this chapter, figures below the agency level should be used as an indicative measure of the resources available to an agency for each detailed level. Agencies vary widely in their ability to generate this data, and their definition and implementation can vary just as widely. Because TPCC data is often a subset of one or several appropriations, for some agencies it is difficult to validate these data against other corroborating sources such as appropriations acts or financial statements.

Table 2. Trade Promotion Expenditures by Classification
Budget Authority, Thousands

	Request FY 99	Estimate FY 00	Request FY 01	Percent of Total Displayed Resources FY 99	FY 00	FY 01
I. Negotiating Open Markets and Lowering/Removing Trade Barriers	184,230	182,071	204,566	6.1	7.6	8.7
Multilateral Participations	56,625	57,131	63,962	1.9	2.4	2.7
Department of Agriculture	3,024	3,024	4,856			
Department of Commerce	21,926	21,959	24,689			
Department of Labor	252	264	271			
Department of State	22,082	22,444	23,349			
Department of Transportation						
Department of Treasury	674	773	797			
U.S. Trade Representative	8,667	8,667	10,000			
Bilateral Participations	99,794	99,907	109,385	3.3	4.2	4.7
Department of Agriculture	2,624	2,624	4,025			
Department of Commerce	24,662	23,717	27,854			
Department of Labor	168	176	181			
Department of State	62,897	63,928	66,506			
Department of Transportation						
Department of Treasury	776	795	820			
U.S. Trade Representative	8,667	8,667	10,000			
Challenging Unfair Trade Practices	27,811	25,033	31,219	0.9	1.1	1.3
Department of Commerce	12,620	9,746	14,336			
Department of Labor	73	77	79			
Department of State	6,115	6,216	6,466			
Department of Treasury	336	327	337			
U.S. Trade Representative	8,667	8,667	10,000			
II. Combating Foreign Export Subsidies	1,239,429	1,312,911	1,236,278	40.7	55.1	52.8
Department of Agriculture	671,350	675,100	374,179			
Department of Treasury	239	251	259			
Export-Import Bank	567,840	637,560	861,840			
III. Financing and Insuring U.S. Trade and Investment	1,178,630	588,306	631,766	38.7	24.7	27.0
Finance	934,255	210,649	233,365	30.7	8.8	10.0
Department of Agriculture	876,818	131,818	117,889			
Department of Transportation						
Export-Import Bank	54,760	75,758	110,889			
OPIC [1]	72,000	45,000	47,000			
Small Business Administration	2,677	3,073	4,587			
Insurance	244,375	377,657	398,401	8.0	15.8	17.0
Department of Agriculture	190,975	331,975	345,130			
Export-Import Bank	53,400	45,682	53,271			
OPIC [1]	(247,000)	(249,000)	(267,000)			

	Request FY 99	Estimate FY 00	Request FY 01	Percent of Total Displayed Resources FY 99	FY 00	FY 01
IV. Providing Information/Counseling/ Export-Assistance Services	242,557	248,838	275,405	8.0	10.4	11.8
Counseling	124,538	127,814	142,650	4.1	5.4	6.1
Department of Commerce	121,800	125,586	140,422			
Small Business Administration	2,738	2,228	2,228			
Generating and Providing Information	89,134	91,206	100,175	2.9	3.8	4.3
Department of Agriculture	32,658	34,402	38,131			
Department of Commerce	51,762	53,720	58,960			
Department of Energy						
Small Business Administration	4,714	3,084	3,084			
Trade Events	28,885	29,818	32,580	0.9	1.3	1.4
Department of Agriculture	1,279	1,279	1,297			
Department of Commerce	27,352	28,349	31,093			
Department of Energy	90	90	90			
Small Business Administration	164	100	100			
V. Providing Government-to-Government Advocacy on Behalf of U.S. Business	37,542	38,400	40,546	1.2	1.6	1.7
Department of Commerce	5,436	5,788	5,917			
Department of Energy	1,200	1,200	1,950			
Department of State	30,906	31,412	32,679			
VI. Funding Feasibility Studies on Major Infrastructure and Development Projects	61,100	44,000	54,000	2.0	1.8	2.3
Trade and Development Agency	61,100	44,000	54,000			
VII. Developing Foreign Markets for U.S. Goods and Services	132,909	130,592	131,935	4.4	5.5	5.6
Department of Agriculture	125,629	124,629	125,858			
Department of Commerce	4,832	5,145	5,259			
Department of Energy	2,448	818	818			

Note
Amounts may be restated in the future to reflect new data or definitions. Figures may include administrative expenses, transfers, or other adjustments. USAID is not displayed in this table, as its activities support trade promotion indirectly through broad economic growth and reform, unlike other activities that more directly fund trade finance or promotion.

[1] OPIC amounts are not included in subtotals or grand totals.

However, various TPCC programs have unique features and multiple objectives. Thus, while it is important to consider cross-cutting indicators, there are aspects of programs that are specific to the programs or agencies. For example, USDA programs have domestic agricultural objectives as well as export objectives, and a number of TPCC programs have as an objective the economic development of host nations.

By one simple standard, some TPCC agencies estimate that they supported a total of approximately $35 billion in exports in FY 1999. Comparing these estimated exports to the total TPCC budget yields almost $12 of exports for each $1 of budget authority.[2] It is important to remember that true results measures (as opposed to output measures) can be affected by a number of outside influences that are beyond the reach of TPCC agencies. For example, the global financial crisis significantly affected both emerging markets' demand and the degree to which private sector flows contracted. Both of these factors drive demand for agency services, and are beyond U.S. Government control.

It is also important that programs address a need that is appropriate for Government involvement. Federal trade promotion activities should not displace private-sector activities. The Federal role has been focused on areas where the private sector is not adequately involved, such as in servicing the demands of small businesses, where credit, information, and other market limitations may be present; or in markets in less developed countries which are considered too risky without government guarantees. The Federal Government also has major roles in negotiating market-opening agreements and in countering foreign subsidies, which are not within the capabilities of private-sector trade promotion.

TPCC Programs by Agency

Department of Commerce

The Secretary of Commerce chairs the Trade Promotion Coordinating Committee. In addition, the Department implements trade promotion programs through its International Trade Administration (ITA). ITA strives to increase the competitiveness of U.S. business in the world economy by promoting U.S. exports, fighting foreign trade barriers, and negotiating and implementing both multilateral and bilateral trade agreements.

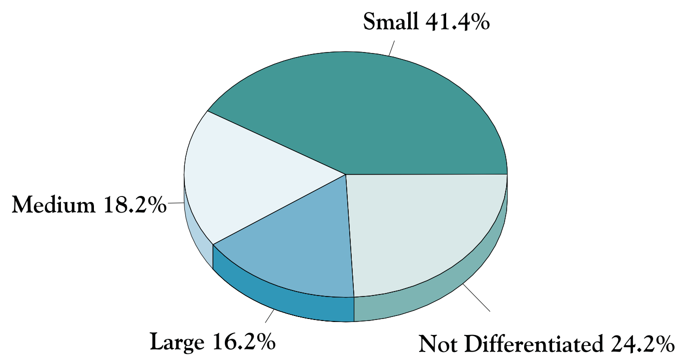
Key ITA Performance Goals for FY 2001

- Enforce U.S. trade laws and agreements to promote free and fair trade
- Increase the number of small business exporters
- Implement the President's National Export Strategy in conjunction with the Trade Promotion Coordinating Committee (TPCC)
- Strengthen and institutionalize ITA's trade promotion and trade advocacy efforts

[2] This is an estimate of exports supported by the Agriculture and Commerce Departments, Ex-Im Bank, OPIC, TDA, and SBA. As a result, this estimate is more focused than estimates used in previous reports. Some exports may occur in future years.

- Trade Development (TD) is the home of the Advocacy Center and the Department's advocacy program on behalf of U.S. industry in the global competition for overseas contracts. Through such programs as the Trade Information Center (1-800-USA-TRADE), TD uses its industry sector expertise to counsel American business and promote trade. TD has responsibility for negotiation and enforcement of industry sector trade agreements such as those on autos, textiles, and aircraft.

Estimate of Department of Commerce Trade Promotion Activity in 2000



By Firm Size

- In order to achieve greater market access for U.S. businesses, Market Access and Compliance (MAC) identifies foreign trade barriers and the means to overcome them, assists in the formulation of U.S. bilateral and multilateral trade policies, and provides counseling and assistance. ITA created the Trade Compliance Center in 1996 to monitor, investigate, and evaluate foreign compliance with multilateral, bilateral, and other international trade agreements.

- The Commercial Service provides export counseling promotion services to U.S. firms through a network of offices in 47 states and 84 foreign countries. There are 19 U.S. Export Assistance Centers (USEACs) throughout the Nation. The Commercial Service develops and distributes information products and conducts trade shows overseas.

The need for ITA assistance is multifold. Foreign market potential is huge, and in many instances contracts are awarded by foreign governments. In many of those cases, U.S. Government support is needed to ensure that U.S. firms are able to compete on a fair basis. Most industrialized country governments devote significant manpower to trade promotion. U.S. exporters may also face market access barriers and require U.S. Government assistance to penetrate these barriers. Small and medium-sized businesses, which are underrepresented in the export community, often need assistance overcoming the relatively high cost of information.

Office of the U.S. Trade Representative (USTR)

USTR is responsible for developing and coordinating U.S. international trade, commodity, and direct investment policy, as well as leading or directing negotiations with other countries on such matters. USTR provides trade policy leadership and negotiating expertise in its areas of responsibility. These include: all matters with the World Trade Organization (WTO), including trade negotiations; trade, commodity, and direct investment matters dealt with by organizations such as the Organization for Economic Cooperation and Development (OECD) and the United Nations Conference on Trade Development; trade-related intellectual-property protection issues; and other bilateral and multilateral trade and investment issues. Interagency coordination is accomplished by USTR through the Trade Policy Review Group and the Trade Policy Staff Committee.

USTR Strategic Goals

- Formulate the trade policy of the United States to advance the national economic interest and reflect fully the views of the Executive Branch, the Congress, and the private sector
- Negotiate trade and investment agreements to advance the national economic interest. Monitor, enforce, and modify these agreements to ensure that the intended benefits are achieved.
- Build confidence in the trade and investment policy of the United States by communicating with the Congress, the private sector, the media, and the general public.

Department of State

The Department of State and its embassies around the world participate in TPCC activities on a number of levels. State Department and embassy officers have well-established contacts with foreign government officials in areas including trade, industry, finance, and customs. They help U.S. firms resolve trade and investment issues with foreign governments and work with them to overcome business problems related to local laws, regulations, taxes, and import restrictions. They also analyze foreign political and economic developments and brief U.S. businesses on the local political and business climate. As experts on host country economies and business practices, State Department officers work closely with their colleagues in the Commercial Service and other agencies to identify opportunities for U.S. firms and to advocate on their behalf.

In many overseas markets, Department officers report and negotiate for the entire spectrum of U.S. Government agencies. State Department officers in Washington and abroad play important roles in negotiating economic agreements on trade, investment, intellectual property rights, taxation, civil aviation, telecommunications, and debt, and in ensuring that those agreements are honored. In addition, the Department represents interests of U.S. businesses in many international forums.

Department of the Treasury

The Department of the Treasury supports Administration efforts in the TPCC to open markets through a variety of activities.

As a means of promoting U.S. export competitiveness, Treasury leads international negotiations to reduce the use of export financing subsidies by other governments. Treasury's objectives are to implement and actively police existing international export financing disciplines, such as those on tied aid, as well as to press for further agreements, such as adding transparency and discipline to untied aid and reducing bribery and corruption in export credit agency-supported contracts. Treasury's other primary objective in this area is to assure that U.S. Government programs conform to these disciplines.

Treasury also has the lead in financial services negotiations related to international trade agreements. Currently, bilateral negotiations on improved market access are underway with China, Russia, Viet Nam, Saudi Arabia, and more than a dozen other nations. In addition, Treasury is conducting plurilateral talks to create a Free Trade Areas of the Americas (FTAA) with a target implementation date of 2005.

Treasury works on other trade issues to achieve successful negotiations to liberalize foreign trade policies, to implement existing agreements such as the Uruguay Round, and to ensure that U.S. trade law is fairly applied. It also works to open markets through WTO accessions, active use of WTO dispute settlement procedures, plurilateral initiatives (e.g., FTAA, APEC), and in bilateral negotiations such as the Japan framework talks. Treasury also participates in the review of U.S. export control and economic sanction regimes to ensure a proper balance of economic and security/foreign policy interests.

The Customs Service, within Treasury, is the primary enforcement agency for trade actions. With respect to trade promotion, the primary areas of concern for Treasury's Office of Enforcement and the Customs Service are the rules that determine which U.S. goods receive preferential treatment from foreign countries, and the foreign procedures and regulations with which U.S. exporters must comply.

Department of Agriculture (USDA)

The U.S. agricultural economy is highly dependent upon international markets. Over 30 percent of all U.S. food sales are expected to go to overseas buyers, yet the U.S. has less than a 10 percent share of the world trade in high-value food exports. With this in mind, USDA agencies' annual performance plans, in compliance with GPRA, reflect strategic objectives aligned with the goal of enhancing foreign export opportunities and market successes for the U.S. food industry. Many traditional farm support programs are no longer available to U.S. farmers as a result of the Freedom to Farm legislation. With U.S. farmers able to supply vastly more than Americans demand, and with markets for food expanding more rapidly elsewhere in the world, export expansion of U.S. food products is the key to enhancing income for farmers and the food processors who utilize their crops to produce high-value consumer-ready foods.

USDA's Key Global Strategies

- Gain Access
- Promote Trade
- Educate Exporters
- Reduce Risk
- Facilitate Partnerships
- Disseminate Market Intelligence

USDA undertakes a range of programs designed to expand overseas market opportunities and eliminate market failures affecting U.S. exporters. USDA's international activities also include supporting markets through food aid donations, and international technical, research, and educational activities aimed at food safety, storage, and international standards that develop long-term market prospects. USDA's key strategies for accomplishing its objectives on the international front are as follows:

Market access has been expanded for U.S. agriculture by working in partnership with other U.S. Government agencies for many years to negotiate open markets and remove trade barriers. Important trade agreements over the last several years include the Uruguay Round Agreements on agriculture and sanitary and phytosanitary measures, the North American Free Trade Agreement (NAFTA), the Japan Beef-Citrus Agreement, and the agreement with India to phase-out import restrictions resulting from a 1999 WTO Dispute Settlement. The WTO Accession for China is expected to open significant opportunities for U.S. agricultural exports. Export barriers by foreign countries based on unscientific sanitary and phytosanitary standards are a major focus of USDA's strategy to ensure overseas markets remain open to U.S. products. Monitoring of other countries' compliance of existing trade agreements also is an important ongoing activity to assure U.S. export opportunities.

USDA's global market development, promotion, and outreach strategies for the U.S. agricultural and food processing industry include the Market Access Program (MAP) and the Foreign Market Development (FMD) program that assists companies in establishing marketing contacts and distribution channels and in identifying foreign buyers. To reduce risk to new-to-export companies, most of which are small to medium-sized firms, USDA provides targeted market intelligence, education, and guidance on regulations and in-country services. USDA assists nearly 1,600 export companies a year by introducing them to new export opportunities. Additionally, the Foreign Agricultural Service's (FAS) international trade shows generate approximately $315 million in on-site sales.

Sample USDA Performance Goals and Target Outcomes FY 2000

Market Access

- Trade opportunities preserved annually by assuring foreign implementation of existing agreements by WTO signatories: FY2000 target—$2B
- Value of annual trade opportunities resulting from international trade-appropriate guidelines and standards: FY2000 target—$5B.
- Annual trade value of export markets created, expanded, or retained due to trade policy and market access activities, outside of the WTO: FY2000 target—$2B

Market development, promotion, and outreach

- Direct sales by U.S. participants at FAS international trade shows, and by the U.S. agricultural industry using FAS marketing services such as trade leads, buyer alerts, and importer lists: FY2000 target—$350M

Market Financial Assistance:

- Value of U.S. agricultural exports supported by credit guarantee programs: FY2000 target—$3.8B

Food Aid Exports

- Value of U.S. agricultural exports supporting world food security through P.L. 480, CCC-funded Food for Progress, and Section 416(b) funds: FY2000 target—$468 M

USDA's market intelligence facilitates U.S. agricultural exports and assures unbiased price discovery to level the playing field for international trade. International trading centers worldwide react to USDA's monthly crop forecasts as the bellwether for comparing all other forecasts by the private sector and other governments. FAS' strategy is to improve estimates of crop production for major U.S. competing and importing countries by using on-site visits to enhance its satellite imagery analysis. Trade leads, foreign buyer alerts, and U.S. supplier lists also help U.S. exporters and foreign importers. Market intelligence on production, supply, and demand will be augmented by an estimated 5,500 overseas trade leads per year, and 2,000 more foreign importers will be listed electronically per year in addition to the current list of 22,000. FAS' Internet web site (www.fas.usda.gov) receives tens-of-thousands of visits each month, and an estimated 20,000 trade outlook articles, crop condition publications, and market analyses are distributed through this medium every year.

Financial Market Assistance will be used by USDA to leverage market opportunities for U.S. agricultural, fish, and forest products in countries where foreign exchange shortages constrain exports; and to counter export subsidies of foreign competitors. USDA's strategy is to focus on the combination of export programs—credit guarantees, trade negotiations, and emerging market projects—that can effect the greatest benefit to U.S. exporters. Over the coming year, developing countries will be considered for risk coverage under General Sales Manager (GSM) export credit programs. Additionally, an increased number of country applicants applying for the GSM 102/103 programs are expected to be awarded credit guarantees.

Agriculture's long-term market and infrastructure development strategy has three basic purposes: 1) to help meet international food security challenges and support sustainable agricultural development internationally; 2) to meet humanitarian assistance needs, promote sustainable long-term economic development, and increase and diversify U.S. agricultural exports; and 3) to address food and nutrition issues, including training foreign officials on U.S. food safety standards and the use of biotechnology standards to combat world hunger and malnutrition.

Over the coming year, 823 research, technical assistance, and training activities will be facilitated to build sustainable foreign markets and to enhance agricultural development through exposure to U.S. technology, agribusiness products, and interaction with U.S. agribusinesses. USDA plans to educate foreign participants in U.S. food safety standards to effect a decrease in the number of country-specific detentions of U.S. food exports and improve the quality and safety of food products imported by the United States. These technical support programs will enhance the impact of food aid programs such as Food for Progress and P.L. 480 Title I and boost the success rate for sustainable agricultural development and market stability.

Export-Import Bank of the United States (Ex-Im Bank)

The mission of Ex-Im Bank is to provide export financing to support the sale of U.S. goods and services to foreign buyers to ensure that purchase decisions are made on the basis of market forces (price, quality, service, and technology), and not on the basis of financial market imperfections. These imperfections include foreign official credit competition and private markets' limited capacity for risk absorption in certain areas.

Ex-Im Bank is not a foreign aid or development agency, and its Board of Directors will approve transactions only where it can find "reasonable assurance of repayment." During the 1990s, Ex-Im Bank has provided an average of $12 billion in new loans, guarantees, and insurance annually. Historically, the Bank has extended credits primarily to foreign governments. However, the global trend toward privatization and freer trade since the early 1990s has changed the face of Ex-Im Bank borrowers. In the past several years, private buyers located in foreign countries have accounted for two-thirds to three-fourths of the Bank's new business.

The challenge facing Ex-Im Bank is to meet the evolving needs of U.S. exporters in a rapidly changing world economy while providing value for U.S. taxpayers. Within this context, the Bank's Chairman has outlined his vision for the future of Ex-Im Bank that has served as a basis for the GPRA strategic and performance plans. The Chairman's "Vision Statement" can be summarized as follows:

- Expand financing available for American exports by pioneering joint ventures with the private sector;
- Develop innovative financing programs to facilitate a major increase in Ex-Im Bank's support for small and medium-sized companies that are engaged in export activity;
- Better integrate Ex-Im Bank's programs and activities with other export assistance programs of the U.S. Government;
- Lead international efforts to reach new agreements to reduce export finance subsidies and trade distorting practices; and
- Recruit, develop, and retain hardworking, talented employees committed to outstanding customer service.

Consistent with these guiding principles, Ex-Im Bank has identified three primary goals that are intrinsic to achieving its mission: Making a Difference, Taxpayer Value, and Customer Service. Making a Difference focuses on designing programs and directing resources to make a difference for U.S. exporters by providing support where needed. With its Taxpayer Value goal, Ex-Im Bank places a high priority on using its resources wisely, efficiently, and to the best benefit of the U.S. taxpayer. And finally, the Bank realizes that providing excellent Customer Service to all U.S. companies, both large and small, is imperative to the successful achievement of the agency's mission.

Overseas Private Investment Corporation (OPIC)

The mission of OPIC is to encourage private-sector investment abroad, furthering U.S. competitiveness, employment, export, and foreign-policy interests as well as economic development of emerging nations. OPIC lays out its mission in its Strategic and Performance plans under GPRA.

OPIC carefully manages itself to minimize risk and maximize value to the U.S. taxpayer. OPIC does this by ensuring, for example, that projects it supports are financially robust, and do not harm the environment, jobs in the United States, or workers overseas. Moreover, OPIC provides its services in countries where the private sector is not yet willing to provide financing and insurance services.

> **Sample OPIC Indicators**
>
> - Increased number of projects in the pipeline for the geographic/regional areas identified in Congressional/ Administration foreign policy initiative
> - Five-year historical average number of project/ finance commitments maintained or exceeded
> - No net negative U.S. employment effect

Many foreign governments help their businesses mitigate the risks of large foreign investments which operate under different guidelines.[3]

[3] According to the Berne Union (a group representing official export credit guarantee agencies), 33 countries provide their own companies some form of political-risk insurance comparable to OPIC. OPIC also assists with project finance for investment. Other nations provide similar support for non-recourse and limited recourse lending.

Unlike most of its foreign counterparts, OPIC also has an economic development mission. In addition, OPIC adheres to worker rights and environmental protection statutes and analyzes projects to assure that they are beneficial to the U.S. economy. Moreover, OPIC is a "self-sustaining" agency, and has reported positive net income every year since its inception in 1971.[4]

Trade and Development Agency (TDA)

TDA's programs seek to achieve two objectives:

- First, TDA helps host countries develop optimal strategies for infrastructure projects in an open economic environment.
- Secondly, TDA helps the U.S. private sector compete with other nations' suppliers. Some foreign governments have aggressive mechanisms to help their firms in the early planning of major infrastructure projects. TDA's feasibility studies help to counterbalance foreign promotion programs by assisting U.S. firms of all sizes to get involved in foreign projects.

TDA Programs

- Feasibility studies
- Specialized training grants
- Orientation visits
- Business workshops
- Technical assistance

For example, foreign engineering firms sometimes use technical specifications that create market-access barriers to U.S. firms because they have long-standing institutional or financial relations with vendors in their own countries. U.S. engineering firms tend to produce specifications that allow wider competition. Having a U.S. firm conduct a feasibility study leads to freer competition, which helps both U.S. firms and host countries seeking the best possible investments for the best price.

In choosing which projects to focus its resources on, TDA carefully evaluates the project at hand, the likelihood of foreign government support, and the competitiveness of U.S. suppliers. To maximize value to the taxpayer, TDA also structures its grants so that the agency is repaid if a TDA feasibility study later results in a successful procurement for TDA's private sector partners. Where possible, TDA and the taxpayer are repaid, the U.S. company gains entree through exports to a developing market, and the host country reaps the benefits of U.S. technology and skills.

TDA Goals

- Fight foreign government supported competition
- Support U.S. foreign policy
- Increase developing country access to U.S. technology
- Facilitate the flow of information about procurement opportunities to U.S. firms

[4] OPIC is not included in TPCC budget totals and subtotals due to net income positive cashflow from insurance operations and interest on reserves. Insurance programs, unlike credit programs, are not reported on a discounted present-value basis in the budget. Instead, OPIC sets aside reserves to cover future losses and obligates the amount of those reserves in the year in which they are established. Reserves are established on a portfolio-wide basis, rather than on a contract-by-contract basis, and represent funded liabilities.

Under GPRA, TDA evaluates itself according to the measures listed below with targets for FY 2001.

- Increase the export multiplier ratio from 37:1 to 38:1
- Increase to 36 percent the proportion of TDA projects to which U.S. firms export
- Maintain a 33 percent share of TDA's budget going to small U.S. companies
- Measure the ratio of public sector vs. private sector projects

Small Business Administration (SBA)

The Office of International Trade (OIT), within SBA, is responsible for SBA's mandate to encourage small business exports and improve access to capital for trade finance. SBA aims to provide trade promotion and finance assistance that would not be readily available in the private sector. OIT assists small firms through the Export Working Capital Program (EWCP) and the International Trade Loan (ITL) Program. SBA also works with the Service Corps of Retired Executives (SCORE) and the Small Business Development Centers (SBDCs), which help small firms assess the feasibility of their export marketing plans and determine and obtain necessary data for loan applications. In addition, SBA is a partner with the Department of Commerce and the Ex-Im Bank in the USEACs.

SBA's Major Accomplishments for FY 1999

- Provided 429 international trade loans in FY 1999
- Piloted SBA Export Risk Analysis-Online, a lender risk analysis tool
- Efficiency and other changes to the Export Working Capital Program
- Lead small business trade and investment missions to Canada, Ireland, and Mexico

Major Goals and Objectives for FY 2000

- Launch SBA Export Risk Analysis-Online in five SBA Regions
- Additional changes to improve the Export Working Capital Program
- Technical assistance in cooperation with the South African Government

Other Agencies

The Department of Energy (DOE), through the Office of Fossil Energy and the Office of Energy Efficiency, conducts international programs that encourage the use of U.S. fossil energy—and, in particular, coal—technologies, resources, and services abroad, as well as international activities to promote the use of efficient and renewable energy technologies, with the goal of providing both environmental and export benefits.

The Department of Labor participates in the TPCC through its Office of International Economic Affairs (OIEA), in the Bureau of International Labor Affairs. OIEA assists in the development of U.S. international economic policies, ensuring consideration of the effects of such policies on domestic employment and income, with the goal of promoting U.S.-based production and higher-skills/higher-wage jobs in the United States.

The Environmental Protection Agency (EPA)'s international-technology and capacity-building programs overseas enhance worldwide demand for environmental technologies and services, thereby creating potential commercial opportunities for U.S. businesses. Private-sector involvement in the implementation of EPA's international programs helps the Agency achieve its environmental objectives overseas, while contributing to Administration goals on trade. EPA's international technology programs are managed by the Office of International Activities.

The Department of Transportation (DOT) supports improved transportation efficiency and flexibility which reduces the cost of domestic and export goods. The Maritime Administration, within DOT, is responsible for the Title XI Loan Guarantee Program, which promotes the growth of the U.S. merchant marine and U.S. shipyards by enabling eligible vessels and shipyards to obtain favorable long-term financing. The National Shipbuilding and Shipyard Conversion Act of 1993 extended Title XI coverage to foreign purchasers of U.S.-built ships and made assistance available for U.S. shipyard modernization. The legislation assists U.S. shipyards in the conversion from military to international and domestic commercial markets.

Conclusion

The President's budget for FY 2001 is slightly lower for the TPCC agencies than in FY 2000. This reflects two major dynamics. On one hand, $215 million in additional resources will enable Ex-Im Bank to absorb higher levels of international risk created by the financial crisis. On the other hand, resources for USDA reflect a shift during this period of very low commodity prices from traditional TPCC export promotion activities toward outright donation of commodities overseas. The cost of donations (nearly $3 billion in FY 2000) is not included in TPCC totals. The level in FY 2001 is not determined and will depend on available U.S. commodity surpluses in 2001 and the extent of the natural recovery in agricultural prices. The budget also provides other critical resources to enable agencies to continue base programs, build capacity, and implement policies to open markets.

As we have noted, there are numerous obstacles yet to overcome in carrying out a review of federal trade promotion activities. The reader should bear in mind that agencies in the TPCC focus on a wide range of issues, and for many, trade promotion is just one among a number of objectives. Many agencies' objectives are based on specific sectors, not the economy as a whole. Resource allocations must be made in consideration of the legitimate claims on resources these agencies make —not based simply on their contribution to increasing overall exports, but on the sectoral effects of the programs and their contributions to other goals.

At the same time, OMB, with the cooperation of the TPCC agencies, has made important progress on a comprehensive review of federal trade promotion programs over the last seven years, particularly during the FY 2001 budget process. Since 1994, we have had in place a transparent, cross-cutting federal export promotion budget. TPCC agencies remain far ahead of their foreign counterparts in this regard. With this Report, the TPCC takes the process a step further by presenting the National Export Strategy in conjunction with the President's budget. This process now enables us to jointly develop initiatives at an early point in the agencies' thinking about strategic priorities and resource needs. This process encourages coordination, prevents duplication, and leverages scarce resources across agencies. OMB and the TPCC agencies look forward to working with the Congress to further strengthen the TPCC as a tool for better serving the Congress, the Administration, and, ultimately, the businesses, farmers, and workers who benefit from our export promotion activities.

Table A-1. Indicative Trade Promotion Expenditures by Classification and Geographic Region

	Actual FY 99	Enacted FY 00	Request FY 01
I. Negotiating Open Markets and Lowering/Removing Trade Barriers	184,230	182,071	204,566
Multilateral Participations	56,625	57,131	63,962
Worldwide	55,866	57,220	59,632
OECD	7,246	7,328	8,006
Central and Eastern Europe	1,769	1,792	1,949
New Independent States	1,331	1,353	1,456
Latin America and the Caribbean	5,930	6,010	6,524
Sub-Saharan Africa	1,331	1,353	1,456
Near East/Saharan Africa	2,172	2,208	2,378
Asia	8,307	8,403	9,175
BEMs (included in regions above)	0	0	0
Bilateral Participations	99,794	99,907	109,385
Worldwide	69,020	69,880	73,355
OECD	5,426	5,218	6,128
Central and Eastern Europe	1,233	1,186	1,393
New Independent States	740	712	836
Latin America and the Caribbean	3,946	3,795	4,457
Sub-Saharan Africa	740	712	836
Near East/Saharan Africa	1,233	1,186	1,393
Asia	6,165	5,930	6,963
BEMs (included in regions above)	0	0	0
Challenging Unfair Trade Practices	27,811	25,033	31,219
Worldwide	17,241	19,076	17,135
OECD	2,776	2,144	3,154
Central and Eastern Europe	631	487	717
New Independent States	379	292	430
Latin America and the Caribbean	2,019	1,559	2,294
Sub-Saharan Africa	379	292	430
Near East/Saharan Africa	631	487	717
Asia	3,155	2,436	3,584
BEMs (included in regions above)	0	0	0
II. Combating Foreign Export Subsidies	1,239,429	1,312,911	1,236,278
Worldwide	122,998	675,315	562,382
OECD	0	0	0
Central and Eastern Europe	9,483	9,483	13,509

	Actual FY 99	Enacted FY 00	Request FY 01
New Independent States	36,739	36,739	52,337
Latin America and the Caribbean	99,145	99,145	141,237
Sub-Saharan Africa	22,827	22,827	32,519
Near East/Saharan Africa	185,286	185,286	263,951
Asia	214,360	214,360	305,367
BEMs (included in regions above)	28,733	28,733	40,931
III. Financing and Insuring U.S. Trade and Investment	1,178,630	588,306	631,766
Finance	934,255	210,649	233,365
Worldwide	1,032,230	544,624	571,686
OECD	0	0	0
Central and Eastern Europe	914	1,265	1,738
New Independent States	3,543	4,902	6,734
Latin America and the Caribbean	9,561	13,227	18,172
Sub-Saharan Africa	2,201	3,045	4,184
Near East/Saharan Africa	17,868	24,720	33,961
Asia	20,672	28,599	39,290
BEMs (included in regions above)	2,771	3,833	5,266
Insurance	244,375	377,657	398,401
Worldwide	0	0	0
OECD	619	530	580
Central and Eastern Europe	16	14	15
New Independent States	11,994	10,260	11,230
Latin America and the Caribbean	37,263	31,877	34,890
Sub-Saharan Africa	748	640	700
Near East/Saharan Africa	2,462	2,106	2,305
Asia	294	251	275
BEMs (included in regions above)	33,930	29,027	31,770
IV. Providing Information/Counseling/ Export-Assistance Services	242,557	248,838	275,405
Counseling	124,538	127,814	142,650
Worldwide	25,578	26,373	29,488
OECD	26,796	27,629	30,890
Central and Eastern Europe	6,090	6,279	7,021
New Independent States	3,654	3,768	4,213
Latin America and the Caribbean	19,488	20,094	22,468
Sub-Saharan Africa	3,654	3,768	4,213
Near East/Saharan Africa	6,090	6,279	7,021
Asia	30,450	31,397	35,106
BEMs (included in regions above)	0	0	0

	Actual FY 99	Enacted FY 00	Request FY 01
Generating and Providing Information	89,134	91,206	100,175
Worldwide	11,891	12,301	13,472
OECD	16,932	17,973	19,645
Central and Eastern Europe	1,817	1,808	1,977
New Independent States	8,813	9,293	10,193
Latin America and the Caribbean	4,967	5,516	5,953
Sub-Saharan Africa	3,829	4,044	4,389
Near East/Saharan Africa	14,447	14,910	16,378
Asia	5,031	5,587	6,217
BEMs (included in regions above)	0	0	0
Trade Events	28,885	29,818	32,580
Worldwide	6,649	6,858	7,435
OECD	6,017	6,237	6,841
Central and Eastern Europe	1,368	1,417	1,555
New Independent States	820	850	933
Latin America and the Caribbean	4,376	4,536	4,975
Sub-Saharan Africa	821	850	931
Near East/Saharan Africa	1,368	1,417	1,555
Asia	6,838	7,087	7,773
BEMs (included in regions above)	0	0	0
V. Providing Government-to-Government Advocacy on Behalf of U.S. Business	37,542	38,400	40,546
Worldwide	37,542	38,400	40,546
OECD	0	0	0
Central and Eastern Europe	0	0	0
New Independent States	0	0	0
Latin America and the Caribbean	0	0	0
Sub-Saharan Africa	0	0	0
Near East/Saharan Africa	0	0	0
Asia	0	0	0
BEMs (included in regions above)	0	0	0
VI. Funding Feasibility Studies on Major Infrastructure and Development Projects	61,100	44,000	54,000
Worldwide	61,100	44,000	54,000
OECD	0	0	0
Central and Eastern Europe	0	0	0
New Independent States	0	0	0
Latin America and the Caribbean	0	0	0
Sub-Saharan Africa	0	0	0
Near East/Saharan Africa	0	0	0
Asia	0	0	0
BEMs (included in regions above)	0	0	0

	Actual FY 99	Enacted FY 00	Request FY 01
VII. Developing Foreign Markets for U.S. Goods and Services	132,909	130,592	131,935
Worldwide	130,461	129,774	130,102
OECD	0	0	0
Central and Eastern Europe	0	0	0
New Independent States	0	0	0
Latin America and the Caribbean	0	0	0
Sub-Saharan Africa	0	0	0
Near East/Saharan Africa	0	0	0
Asia	0	0	0
BEMs (included in regions above)	0	0	0
TOTAL	2,477,775	2,548,716	2,786,751
Worldwide	1,570,576	1,623,821	1,559,233
OECD	65,812	67,059	75,244
Central and Eastern Europe	23,321	23,730	29,874
New Independent States	68,013	68,169	88,362
Latin America and the Caribbean	186,694	185,759	240,971
Sub-Saharan Africa	36,530	37,531	49,658
Near East/Saharan Africa	231,557	238,599	329,659
Asia	295,272	304,049	413,751
BEMs (included in regions above)	65,434	61,593	77,968

Note

Amounts may be restated in the future to reflect new data or definitions. Figures may include administrative expenses, transfers, or other adjustments. USAID is not displayed in this table, as its activities support trade promotion indirectly through broad economic growth and reform, unlike other activities that more directly fund trade finance or promotion.

Table A-2. Indicative Trade Promotion Expenditures by Classification and Industrial Sector

	Actual FY 99	Enacted FY 00	Request FY 01
I. Negotiating Open Markets and Lowering/ Removing Trade Barriers	184,230	182,071	204,566
Multilateral Participations	56,625	57,131	63,962
Agriculture, Forestry & Fishing	878	878	988
Mining	877	878	988
Construction	1,096	1,098	1,234
Manufacturing	14,033	14,054	15,801
Transportation & Public Utilities	1,096	1,098	1,234
Wholesale Trade	219	220	247
Retail Trade	0	0	0
Finance, Insurance & Real Estate	300	368	400
Services	1,096	1,098	1,234
Not differentiated by sector	24,575	25,484	26,709
Bilateral Participations	99,794	99,907	109,385
Agriculture, Forestry & Fishing	986	947	1,112
Mining	986	949	1,114
Construction	1,233	1,186	1,393
Manufacturing	15,784	15,180	17,827
Transportation & Public Utilities	1,233	1,186	1,393
Wholesale Trade	247	237	279
Retail Trade	0	0	0
Finance, Insurance & Real Estate	383	356	402
Services	1,233	1,186	1,393
Not differentiated by sector	77,709	78,680	84,473
Challenging Unfair Trade Practices	27,811	25,033	31,219
Agriculture, Forestry & Fishing	0	0	0
Mining	0	0	0
Construction	0	0	0
Manufacturing	0	0	0
Transportation & Public Utilities	0	0	0
Wholesale Trade	0	0	0
Retail Trade	0	0	0
Finance, Insurance & Real Estate	54	30	31
Services	0	0	0
Not differentiated by sector	14,963	10,420	30,951
II. Combating Foreign Export Subsidies	1,239,429	1,312,911	1,236,278
Agriculture, Forestry & Fishing	671,428	675,100	374,179
Mining	0	0	0
Construction	27,479	30,853	39,146
Manufacturing	344,829	387,168	491,229

	Actual FY 99	Enacted FY 00	Request FY 01
Transportation & Public Utilities	7,266	8,158	10,351
Wholesale Trade	22,620	25,397	32,223
Retail Trade	16,528	18,557	23,544
Finance, Insurance & Real Estate	7,273	8,166	10,361
Services	114,287	128,320	162,809
Not differentiated by sector	27,718	31,191	92,435
III. Financing and Insuring U.S. Trade and Investment	1,178,630	588,306	631,766
Finance	934,255	210,649	233,365
Agriculture, Forestry & Fishing	8	0	0
Mining	0	0	0
Construction	2,650	5,037	0
Manufacturing	33,254	63,204	0
Transportation & Public Utilities	701	1,332	0
Wholesale Trade	2,181	4,146	0
Retail Trade	1,594	3,029	0
Finance, Insurance & Real Estate	701	1,333	0
Services	11,021	20,948	0
Not differentiated by sector	0	0	0
Insurance	244,375	377,657	398,401
Agriculture, Forestry & Fishing	7	0	0
Mining	0	0	0
Construction	2,584	2,420	0
Manufacturing	32,428	30,363	0
Transportation & Public Utilities	683	640	0
Wholesale Trade	2,127	1,992	0
Retail Trade	1,554	1,455	0
Finance, Insurance & Real Estate	684	640	0
Services	10,748	10,063	0
Not differentiated by sector	0	0	0
IV. Providing Information/Counseling/ Export-Assistance Services	242,557	248,838	275,405
Counseling	124,538	127,814	142,650
Agriculture, Forestry & Fishing	4,872	5,025	5,618
Mining	4,872	5,023	5,617
Construction	6,090	6,279	7,021
Manufacturing	77,952	80,375	89,870
Transportation & Public Utilities	6,090	6,279	7,021
Wholesale Trade	1,218	1,256	1,404
Retail Trade	0	0	0
Finance, Insurance & Real Estate.	1,218	1,256	1,404
Services	6,090	6,279	7,021
Not differentiated by sector	16,136	16,042	17,674

	Actual FY 99	Enacted FY 00	Request FY 01
Generating and Providing Information	89,134	91,206	100,175
Agriculture, Forestry & Fishing	2,071	2,149	2,322
Mining	2,070	2,149	2,358
Construction	2,588	2,686	2,948
Manufacturing	33,127	34,381	37,734
Transportation & Public Utilities	2,588	2,686	2,984
Wholesale Trade	518	537	590
Retail Trade	0	0	0
Finance, Insurance & Real Estate	518	537	590
Services	2,588	2,686	2,948
Not differentiated by sector	43,066	43,395	47,701
Trade Events	28,885	29,818	32,580
Agriculture, Forestry & Fishing	1,092	1,134	1,242
Mining	1,094	1,137	1,244
Construction	1,368	1,417	1,555
Manufacturing	17,505	18,143	19,900
Transportation & Public Utilities	1,368	1,417	1,555
Wholesale Trade	274	283	311
Retail Trade	0	0	0
Finance, Insurance & Real Estate	274	283	311
Services	1,368	1,417	1,555
Not differentiated by sector	4,542	4,587	4,907
V. Providing Government-to-Government Advocacy on Behalf of U.S. Business	37,542	38,400	40,546
Agriculture, Forestry & Fishing	0	0	0
Mining	544	579	592
Construction	0	0	0
Manufacturing	4,838	5,151	5,266
Transportation & Public Utilities	1,200	1,200	1,950
Wholesale Trade	0	0	0
Retail Trade	0	0	0
Finance, Insurance & Real Estate	0	0	0
Services	54	58	59
Not differentiated by sector	30,906	31,412	32,679
VI. Funding Feasibility Studies on Major Infrastructure and Development Projects	61,100	44,000	54,000
Agriculture, Forestry & Fishing	2,300	0	0
Mining	6,500	0	0
Construction	0	0	0
Manufacturing	5,900	0	0
Transportation & Public Utilities	35,200	0	0

	Actual FY 99	Enacted FY 00	Request FY 01
Wholesale Trade	0	0	0
Retail Trade	0	0	0
Finance, Insurance & Real Estate	0	0	0
Services	5,000	0	0
Not differentiated by sector	6,200	44,000	54,000
VII. Developing Foreign Markets for U.S. Goods and Services	132,909	130,592	131,935
Agriculture, Forestry & Fishing	0	0	0
Mining	0	0	0
Construction	0	0	0
Manufacturing	4,832	5,145	5,259
Transportation & Public Utilities	2,448	818	818
Wholesale Trade	0	0	0
Retail Trade	0	0	0
Finance, Insurance & Real Estate	0	0	0
Services	0	0	0
Not differentiated by sector	125,629	124,629	125,858
TOTAL	3,076,396	2,545,118	2,574,496
Agriculture, Forestry & Fishing	683,642	685,233	385,461
Mining	16,943	10,715	11,913
Construction	45,089	50,976	53,297
Manufacturing	584,482	653,164	682,886
Transportation & Public Utilities	59,873	24,814	27,306
Wholesale Trade	29,404	34,068	35,054
Retail Trade	19,676	23,041	23,544
Finance, Insurance & Real Estate	11,405	12,969	13,498
Services	153,485	172,055	177,019
Not differentiated by sector	371,445	409,841	517,388

Note
Amounts may be restated in the future to reflect new data or definitions. Figures may include administrative expenses, transfers, or other adjustments. USAID is not displayed in this table, as its activities support trade promotion indirectly through broad economic growth and reform, unlike other activities that more directly fund trade finance or promotion.

Table A-3. Indicative Trade Promotion Expenditures by Classification and Business Size

	Actual FY 99	Enacted FY 00	Request FY 01
I. Negotiating Open Markets and Lowering/Removing Trade Barriers	184,230	182,071	204,566
Multilateral Participations	56,625	57,131	63,962
Small	9,429	9,443	10,616
Medium	4,166	4,172	4,691
Large	3,727	3,733	4,197
Not differentiated by size	39,303	39,783	44,458
Bilateral Participations	99,794	99,907	109,385
Small	10,604	10,199	11,978
Medium	4,686	4,506	5,292
Large	4,193	4,032	4,735
Not differentiated by size	80,311	81,170	87,380
Challenging Unfair Trade Practices	27,811	25,033	31,219
Small	5,427	4,190	6,164
Medium	2,398	1,852	2,724
Large	2,145	1,657	2,437
Not differentiated by size	17,841	17,334	19,894
II. Combating Foreign Export Subsidies	1,239,429	1,312,911	1,236,278
Small	0	0	0
Medium	41,055	0	0
Large	0	0	0
Not differentiated by size	1,198,374	1,312,911	1,236,278
III. Financing and Insuring U.S. Trade and Investment	1,178,630	588,306	631,766
Finance	934,255	210,649	233,365
Small	0	0	0
Medium	3,959	0	0
Large	0	0	0
Not differentiated by size	930,296	210,649	233,365
Insurance	244,375	377,657	398,401
Small	16,469	14,088	15,420
Medium	0	0	0
Large	0	0	0
Not differentiated by size	227,906	363,569	382,981

	Actual FY 99	Enacted FY 00	Request FY 01
IV. Providing Information/Counseling/ Export-Assistance Services	242,557	248,838	275,405
Counseling	124,538	127,814	142,650
Small	52,374	54,002	60,381
Medium	23,142	23,860	26,680
Large	20,706	21,350	23,872
Not differentiated by size	28,316	28,602	31,717
Generating and Providing Information	89,134	91,206	100,175
Small	22,258	23,100	25,353
Medium	9,835	10,207	11,202
Large	8,799	9,132	10,023
Not differentiated by size	48,242	48,767	53,597
Trade Events	28,885	29,818	32,580
Small	11,761	12,190	13,370
Medium	5,197	5,386	5,907
Large	4,650	4,820	5,286
Not differentiated by size	7,277	7,422	8,017
V. Providing Government-to-Government Advocacy on Behalf of U.S. Business	37,542	38,400	40,546
Small	0	0	0
Medium	0	0	0
Large	0	0	0
Not differentiated by size	37,542	38,400	40,546
VI. Funding Feasibility Studies on Major Infrastructure and Development Projects (TDA)	61,100	44,000	54,000
Small	0	0	0
Medium	0	0	0
Large	0	0	0
Not differentiated by size	61,100	44,000	54,000
VII. Developing Foreign Markets for U.S. Goods and Services	132,909	130,592	131,935
Small	0	0	0
Medium	0	0	0
Large	0	0	0
Not differentiated by size	132,909	130,592	131,935

	Actual FY 99	Enacted FY 00	Request FY 01
TOTAL	3,076,396	2,545,118	2,574,496
Small	128,322	127,212	143,282
Medium	94,438	49,983	56,496
Large	44,220	44,724	50,550
Not differentiated by size	2,809,416	2,323,198	2,324,168

Note
Amounts may be restated in the future to reflect new data or definitions. Figures may include administrative expenses, transfers, or other adjustments. USAID is not displayed in this table, as its activities support trade promotion indirectly through broad economic growth and reform, unlike other activities that more directly fund trade finance or promotion.

Appendices

Appendix I

Report on Implementation of Section 303 of the Freedom Support Act of 1992

Export Promotion, Finance, and Related Activities

TPCC agencies have developed a range of services to help American companies develop markets in the Newly Independent States (NIS). The Commerce Department's International Trade Administration (ITA) has expanded the U.S. and Foreign Commercial Service's (US&FCS) presence in these countries, created a network of American Business Centers (ABCs), developed small business support programs via the Business Information Service for the Newly Independent States (BISNIS) and the Special American Business Internship Training Program (SABIT), advocated on behalf of American companies to facilitate implementation of specific trade and investment projects by the U.S. Ombudsman for Energy and Commercial Cooperation with the NIS and others, and utilized business development committees (BDC) to encourage development of commercial environments which can support new U.S. exports. The Export-Import Bank of the United States (Ex-Im Bank) and the U.S. Trade and Development Agency (TDA) provide financing resources to support U.S. business ventures in the region. The U.S. Overseas Private Investment Corporation (OPIC) provides financing and political risk insurance.

Export Promotion: Since the enactment of the FREEDOM Support Act of 1992, the US&FCS has provided trade promotion, market development, business counseling, trade events sponsorship, and advocacy services in Russia and the NIS to U.S. companies. US&FCS now has posts in Moscow, St. Petersburg, Yekaterinburg, and Vladivostok, Russia; Kiev, Ukraine; Almaty, Kazakhstan; Baku, Azerbaijan; and Tashkent, Uzbekistan, with 79 support staff.

US&FCS also manages the American Business Center (ABC) program, which was established with funding under the FREEDOM Support Act to promote the rapid expansion of U.S. trade with Russia and the NIS. The ABC Program, conceived in 1992 as a three-year development initiative, is being phased out. Funding for ABCs in Samara, Khabarovsk, Yuzhno-Sakhalinsk, and Nizhny Novgorod, Russia ended September 30, 1999. ABC Yuzhno-Sakhalinsk, Russia is the last ABC to remain open and is scheduled for closure in September 2000. Over the past eight years, the ABCs helped thousands of U.S. companies gain export orders worth a reported $400 million in these often difficult-to-access regions. These firms shared their expertise with newly privatized Russian firms looking for partners and worked with local governments to remove some of the obstacles facing private enterprises—both Russian and American. Conditions that originally created a need for ABCs have changed dramatically. Private sector alternatives to the ABCs' low-end services—telecommunications, secretarial, and interpreting—now exist. Moreover, in the current climate of economic downturn and political uncertainty, U.S. business needs have shifted toward advocacy, which is most effectively handled by US&FCS officers.

The Business Information Service for the Newly Independent States (BISNIS) provides U.S. companies with timely, practical information on markets, opportunities, and trade and investment conditions. BISNIS responds to hundreds of thousands of queries a year by telephone, e-mail, and appointment. BISNIS' web site and e-mail services provide information on market developments, specific industry surveys, time-sensitive trade and investment leads, and potential joint venture partner companies. The BISNIS web site, www.bisnis.doc.gov, receives an average of 95,000 hits per week. Of the 40,000 companies that receive its information regularly, over 85 percent are small and medium-sized companies. In FY 1999, through a network of local representatives in the NIS, BISNIS identified and promoted more than 350 trade leads and more than 425 partner leads. These leads were distributed through the electronic and print publication, BISNIS Search for Partners and the bi-weekly, electronic bulletin BISNIS Trades & Tenders. The monthly print publication, BISNIS Bulletin, offered practical information and advice on conducting business in the NIS and alerted readers to major new resources and events. During FY 1999, BISNIS helped U.S. firms of all sizes generate more than $285 million in trade and investment transactions. Since it opened in 1992, BISNIS has helped U.S. firms realize more than $2.5 billion worth of export and investment transactions.

The Special American Business Internship Training program (SABIT) is a private sector-U.S. Government partnership designed to enable small and medium-sized U.S. businesses interested in pursuing business ventures in the NIS to train NIS counterparts. With funding under the FREEDOM Support Act, SABIT awards grants on a competitive basis to U.S. firms to help defray the costs of hosting NIS managers and scientists for training in the United States. To date, over 2,500 U.S. companies have hosted more than 1,750 NIS interns through SABIT.

To address non-tariff barriers confronting U.S. exports to NIS markets, SABIT has organized and conducted an innovative series of programs. For example, the SABIT Standards program, in conjunction with the National Institute of Standards and Technology (NIST), annually trains between 75 and 100 NIS standards writers, laboratory accreditation experts, and certification officials in the United States on the U.S. system of certification and laboratory accreditation.

In FY 1999, SABIT implemented programs to train business managers in the following industries: apparel, food marketing, automotive aftermarket, tourism, and environmental technologies. A recent independent program review of SABIT programs indicated that nearly 70 percent of SABIT alumni helped their U.S. host companies by assisting them with market access, certification, customs, taxation, shipments, information, contacts, marketing data, or information related to the business climate.

Business Facilitation and Support: The U.S. Government uses Department of Commerce Ombudsman and Business Development Committee mechanisms to work with other TPCC agencies to promote U.S. commercial interests in the NIS. Ombudsman relationships have been established with Russia, Ukraine, Belarus, Armenia, Kazakhstan, Uzbekistan, and Turkmenistan, and bilateral commercial dialogues have been initiated with Azerbaijan, Georgia, and Moldova.

BDCs have been established with Russia, Ukraine, Kazakhstan, Uzbekistan, and Belarus. Chaired and managed on the U.S. side by the Department of Commerce, the BDCs include a number of TPCC agencies. Their goals include the removal of barriers to bilateral trade and investment, facilitation of individual commercial projects, implementation of business development programs, and maintenance of an open, ongoing forum for discussion of bilateral commercial and economic issues.

The U.S.-Russia BDC has made progress in the areas of commercial energy, commercial tax reform, and rule of law for Russia's commercial environment. Resolution has been achieved on a number of longstanding commercial disputes, including progress on production sharing agreement (PSA) normative acts, harmonization of the tax code with the PSA laws, and approval of individual projects by the Duma. In addition, advocacy for aircraft tariff exemptions resulted in the successful delivery of four Boeing aircraft to Aeroflot, customs and tax improvements were addressed with government and parliament officials, and proposals for improvements covering transfer prices, securities, and energy production were presented at a Tax Working Group meeting. The BDC has obtained agreement to cooperate on enforcement of arbitration and court decisions and shareholders rights. As part of the implementation of the BDC-developed Basic Guidelines for Codes of Business Conduct, we established a three-month training program in the United States for four specialists from Moscow, St. Petersburg, Novgorod, and Samara designed to help foster good and ethical business culture and environment in those regions.

In Ukraine, through the Committee on Trade and Investment (CTI), the full range of trade and investment issues are addressed, including problems in the investment environment, market access concerns, and structural reforms necessary to support investment in key economic sectors. During the past year, the focus has been on further deregulation, improvement in Ukraine's product standards and certification regime, and rule of law in the commercial environment.

In Kazakhstan, the BDC addresses outstanding commercial issues, including liberalization of the work permit regime, customs reform, and reform of the tax monitoring system. In addition, the Department works bilaterally with Kazakhstani counterparts to overcome obstacles faced by U.S. companies active in this market. The Department has also worked cooperatively with U.S. government and Kazakhstani interlocutors to promote exploitation of oil and gas resources and encourage development of multiple pipeline routes from the Caspian region. Through the U.S.-Uzbekistan Trade, Investment, and Energy Committee, U.S. interlocutors have encouraged Uzbekistan to liberalize its currency convertibility regime, streamline business registration and banking procedures, and reform its customs procedures. The Ombudsman is addressing obstacles faced by U.S. companies with his Uzbekistani counterparts.

In addition, the Department of Commerce supports a number of projects that focus on specific market access and sectoral issues under the Business Development Committee Initiatives (BDCI) program. Ongoing projects include activities of the U.S. West Coast-Russian Far East Ad Hoc Working Group (AHWG) to foster interregional commercial cooperation; the CLEAR-PAC project, a unique program that works to shorten the time for ships to clear customs in Russia; a Year 2000 (Y2K) preparedness seminar to increase public awareness of the problem, including discussion of U.S. and Russian government outreach programs, case studies of successful Y2K remediation efforts, and industry sector discussion groups; a seminar in Russia on Oil and Gas Equipment Certification; creation of a Handbook on Russia's commercial dispute resolution system; and activities of the Health Industries and Standards BDC working sub-groups which work to assist NIS countries to improve trade regulatory processes.

Export Finance Programs, Feasibility Studies, Political Risk Insurance and Other Related Programs: Through September 30, 1999, Ex-Im Bank approved a total of $3.6 billion in financing in NIS countries. Approximately $2 billion of this exposure is in Russia. In FY 1999, Ex-Im Bank approved transactions worth $258 million and $700,000 in Uzbekistan and Kazakhstan, respectively. In Kazakhstan and Moldova, Ex-Im Bank is open for short-, medium- and long-term public sector transactions, and short- and medium-term private sector transactions. Private sector transactions often require a commercial bank, acceptable to Ex-Im Bank, to act as obligor or guarantor on the transaction. In Uzbekistan, Azerbaijan, Turkmenistan, and Ukraine, Ex-Im Bank is open for short- and medium-term public sector transactions. All public sector transactions require a sovereign guarantee.

Since the financial crisis of 1998 in Russia, conditions have obliged Ex-Im Bank to seek well-structured and appropriately secured projects and transactions. For example, Ex-Im Bank is able to finance transactions in which repayment of the financing is secured through the assignment of hard currency proceeds from the sale of commodities (or other products) to a third-party off taker. Although Ex-Im Bank remains closed under its regular programs in Armenia, Belarus, Georgia, Kyrgyzstan, and Tajikistan, it has signed Project Incentive Agreements (PIA) with all these countries except Tajikistan. Ex-Im Bank also concluded a PIA with Ukraine in December 1999. Under a PIA, Ex-Im Bank is able to consider creditworthy projects where the financing is secured through the assignment of hard currency proceeds from the sale of commodities (or other products) to a third-party off taker.

Overseas Private Investment Corporation (OPIC) programs are available to support U.S. private sector investment in all the countries of the former Soviet Union. Under its project finance program, OPIC provides medium to long-term limited recourse project financing in the form of loan guarantees and direct loans to overseas investment projects with significant U.S. equity participation. Under its insurance program, OPIC underwrites political risks associated with foreign investments, including currency inconvertibility, expropriation, and political violence. In FY 1999, OPIC committed more than $30 million in project financing and $200 million in political risk insurance to U.S. business ventures in the NIS for investments in the manufacturing, oil and gas, telecommunications, and agribusiness sectors.

The Trade and Development Agency (TDA) is a pioneer in providing assistance to the NIS. Since funding its first feasibility study grant in 1992, TDA's initiatives in the region have grown substantially. While initially concentrating its NIS activities on Russia, TDA's regional team has significantly increased its activities in the Caucasus, Central Asia, and Ukraine. In FY 1999, in an effort to encourage the development of projects ancillary to the hydrocarbon industry, TDA held the highly successful "Caspian Ambassadors' Tour" on which U.S. Ambassadors from the Caspian region visited several U.S. cities for meetings with American business representatives. Since the opening of NIS markets, TDA has approved funding of about $80 million for feasibility studies on more than 200 major projects in the NIS. Exports of U.S. goods and services related to those projects already total over $600 million. TDA obligated about $10 million in NIS program funds in FY 1999, including 19 feasibility studies for projects in various sectors.

Appendix II

Report on Implementation of Section 304 of the Freedom Support Act of 1992

The TPCC Interagency Working Group on Energy

The rapid, safe, and environmentally-sensitive development of energy resources is a key objective for U.S. economic and commercial cooperation with the Newly Independent States (NIS) of the former Soviet Union. Business Development Committees (BDCs) with Russia, Ukraine, and Kazakhstan are working to promote and facilitate U.S. trade and investment in the energy sector by identifying and working to eliminate barriers.

Activities in Russia

The U.S.-Russia BDC works directly through the U.S. Ombudsman for Energy and Commercial Cooperation with the NIS and the Oil and Gas Working Group to promote and facilitate U.S. trade and investment in the Russian oil and gas sector. The Oil and Gas Working Group advocates for and monitors U.S. priority projects in Russia, and has intervened on several occasions to preserve tax treatment and export pipeline access. Together with the U.S.-Russia Energy Policy Committee, it also promotes legislation that is needed to attract investment, such as laws that allow the creation and implementation of production sharing agreements. In late 1998, these efforts contributed to the passage of Enabling Legislation and Amendments to the Law on Production Sharing Agreements, which will allow major U.S.-partnered oil and gas projects to go forward. The Oil and Gas Working Group also sponsored a seminar on the certification of oil and gas field equipment in Russia, an issue critical to U.S. exporters.

Activities in the Non-Russian NIS Area

Energy development and transportation initiatives in the Caspian Basin continue to be a central focus of interagency efforts that support the expansion of mutually beneficial relations with the states of the NIS. The Caspian Commercial Energy Policy Working Group, co-chaired by the Departments of Commerce and Energy, is one important forum that facilitates communication between the U.S. energy industry and the Administration on issues of mutual interest. This process has led to several successes in the commercial energy field, including the signing of production sharing and joint venture agreements.

Other support for Caspian-region initiatives is provided through the Special Advisor to the President and Secretary of State for Caspian Basin Energy Diplomacy, as well as several bilateral fora with NIS countries. Discussions in recent meetings of the Oil and Gas Working Group of the U.S.-Kazakhstan BDC have focused on issues relating to procedures for licenses and other regulations, regional oil and gas transportation, and the development of upstream opportunities. In addition, the Trade, Investment, and Energy Committee of the U.S.-Uzbekistan Joint Commission also continues to address important energy sector topics. Recent discussions have focused on regional oil and gas transportation, the improvement of legal frameworks necessary to support enhanced U.S. commercial energy investment in Uzbekistan, and currency convertibility issues.

The Energy Working Group of the U.S.-Ukraine Binational Commission, chaired by the Department of Energy, and the Committee on Trade and Investment, chaired by the Department of Commerce, both have advocated for the reforms necessary to unlock Ukraine's energy resources, including gas transit and the attraction of private sector investment in oil and gas development.

Outreach to Expand U.S. Business Participation in the Energy Sector

Several outreach initiatives are undertaken in the energy sector that support U.S. commercial ties in the NIS. In addition to the programs mentioned above, other programs outlined in the Report on Implementation of Section 303 of the Freedom Support Act also support these activities.

The U.S. Department of Commerce

The U.S. Ombudsman for Energy and Commercial Cooperation with the NIS, appointed by the White House in 1994, plays a key role in Commerce Department and U.S. Government initiatives in NIS energy development and transportation issues. Through regular consultations with corporate and regional leaders, the Ombudsman advocates for U.S. commercial interests, as well as for broader U.S. policies in the region.

The Energy Division of the Trade Development unit provides policy support on NIS commercial energy issues and regional pipeline projects for the International Trade Administration and the Office of the Secretary of Commerce. The Division also acts as the Department of Commerce liaison and support organization for the specific fora mentioned above that facilitate NIS-related energy development and energy transportation discussions.

The Business Information Service for the Newly Independent States (BISNIS) works closely with on-site representatives, local contractors, and U.S. Commercial Service personnel to identify for U.S. companies national and regional energy-related projects with business potential. BISNIS informs over 40,000 U.S. companies of these opportunities via e-mail broadcasts, faxed reports, and Internet postings.

The Special American Business Internship Training (SABIT) program supports economic restructuring and development in the NIS; SABIT does this through program award grants to U.S. firms to help defray the costs of training NIS government officials, managers, and scientists in the United States. The program enables NIS executives to effect positive change in their home countries as well as provide U.S. and NIS companies with unique opportunities to develop foreign partnerships critical to successful international business. SABIT provides management and technical training for NIS oil and gas executives in both upstream and downstream activities. It also sponsors training programs with its partner, the National Institute of Standards and Technology (NIST), to provide seminars to NIS standards writers, certification experts, and laboratory accreditation experts on U.S. oil and gas equipment standards.

The Commercial Service regularly undertakes projects and efforts that enhance U.S. business opportunities in the NIS energy sector. Activities include the traditional role of provision of overseas market research information and international trade contacts, as well as specific efforts such as sponsoring U.S. pavilions at regional oil and gas exhibitions and support for the Commercial Service's Showcase Europe initiative.