



Statement of the U.S. Chamber of Commerce

ON: Different Perspectives on International Development

TO: Senate Foreign Relations Subcommittee on International Development and Foreign Assistance, Economic Affairs, International Environmental Protection, and Peace Corps

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The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber is dedicated to promoting, protecting, and defending America's free enterprise system.

More than 96 percent of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. We believe that global interdependence provides opportunities, not threats. In addition to the American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on issues are developed by Chamber members serving on committees, subcommittees, councils, and task forces. Nearly 1,900 businesspeople participate in this process.

Thank you Chairman Kaine, Senator Barrasso, and distinguished members of the Subcommittee. My name is John Murphy, and I am Vice President for International Affairs at the U.S. Chamber of Commerce. The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. I am pleased to speak today about the importance of funding a robust International Affairs budget from the perspective of the U.S. business community.

No priority facing our nation is more important than putting Americans back to work. More than 7 percent of the U.S. workforce is unemployed—a figure that soars to nearly 15 percent when those who have stopped looking for jobs and the millions of part-time workers who want to work full time are included. As a nation, the biggest policy challenge we face is to create the 20 million jobs needed in this decade to replace the jobs lost in the recent recession and to meet the needs of America's growing workforce.

World trade must play a central role in reaching this job-creation goal. After all, outside our borders are markets that represent 80 percent of the world's purchasing power, 92 percent of its economic growth, and 95 percent of its consumers. The resulting opportunities are immense, and many Americans are already seizing them: One in three manufacturing jobs depends on exports, and one in three acres on American farms is planted for hungry consumers overseas. Nearly 300,000 small and medium-sized businesses export, accounting for more than one-third of all merchandise exports.

In this context, the International Affairs budget plays a vital enabling role for U.S. companies to tap foreign markets and create jobs and prosperity at home. Although it represents a little more than one percent of all federal spending, the International Affairs budget is critical to creating jobs, saving lives, and protecting our national security.

As former Defense Secretary Robert Gates has stated, "America's civilian institutions of diplomacy and development have been chronically undermanned and underfunded for far too long ... relative to the responsibilities and challenges our nation has around the world." America must utilize all of the tools and resources it has to strengthen U.S. national interests and ensure our global competitiveness.

The Business Case

The business case for the International Affairs budget is straightforward. It supports and protects U.S. diplomats, who are on the front lines of American commercial diplomacy and export promotion efforts. Programs funded by the International Affairs Budget directly promote sustainable economic reforms in developing countries that ultimately benefit American companies and workers.

U.S. foreign assistance programs provide technical advice and build stronger political, legal, and economic policy regimes in developing countries that help these nations become reliable trading partners. This is more clearly the case than ever before, as developing countries last year purchased more than half of all U.S. exports for the first time in years.

In this vein, the U.S. Agency for International Development (USAID) supports programs that help countries improve their business regulatory environments and embrace international commerce. These programs can move developing countries away from rigid government-controlled economies toward competition and market orientation, which in turn creates new opportunities for American companies and workers. Similarly, the Millennium Challenge Corporation (MCC) provides grants to countries for economic reforms but only if they demonstrate a commitment to democratic governance and economic freedom.

The International Affairs budget has also provided modest investments over the years in the multilateral development banks (MDBs), including the World Bank, the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, and the European Bank for Reconstruction and Development. In addition to an array of educational and health programs, the MDBs support programs that strengthen governance institutions and build infrastructure that facilitates U.S. investment and exports.

Over the years, the World Bank and the regional banks have funded successful programs to get children into school; build infrastructure to allow entrepreneurs and farmers to transport their goods to market; strengthen judiciaries; support private sector job creation; and combat measles, diarrhea, malaria and other preventable illnesses. These efforts helped developing countries add two decades to life expectancy, cut the mortality rate of children under age five by 50 percent, and reduce by half the proportion of people living in poverty.

American businesses understand these institutions' vital role in fostering prosperity in developing nations. MDB loans and expertise help developing countries become reliable trading partners and open up their markets for U.S. goods. These loans come with conditions, such as strengthening transparency, promoting good governance, and improving the investment climate.

The U.S. investment in the MDBs has a huge multiplier effect. For instance, the United States has invested \$2 billion in the World Bank's capital base since its creation in 1944. The U.S. funding has leveraged contributions from other donors, allowing the World Bank to provide nearly \$500 billion in financing and invaluable expertise to developing countries.

Boosting Trade and Investment

Other agencies supported by the International Affairs budget also play a direct role in supporting economic growth and job creation at home. For example, the Export-Import Bank of the United States (Ex-Im) provides vital financial guarantees to help American businesses export. Last year, Ex-Im supported export sales that sustained nearly 255,000 American jobs at 3,400 companies.

Ex-Im is especially important to small- and medium-sized businesses, which account for more than 85 percent of Ex-Im's transactions. Tens of thousands of smaller companies that supply goods and services to large exporters also benefit from Ex-Im's activities. It's worth noting that Ex-Im has tripled the amount of exports to sub-Saharan Africa it supports since 2009.

Without Ex-Im, many U.S. companies would be unable to sell their goods abroad. Because other countries provide their own exporters with an estimated \$1 trillion in export finance through their own official export credit agencies—often on terms more generous than

Ex-Im can provide—American companies would be left at a sharp disadvantage without Ex-Im. Relative to the size of their economies, European governments provide three times as much official trade finance to their exporters as Ex-Im does. China and India provide four times as much.

Further, American taxpayers can cheer the fact that Ex-Im regularly helps reduce the federal deficit by hundreds of millions of dollars. Far from being a subsidy for corporations, Ex-Im charges fees for its services that generated more than \$1 billion in revenue for the U.S. Treasury last year alone. This is a significant, yet often overlooked, attribute of Ex-Im.

Finally, Ex-Im loans expose the U.S. taxpayer to little risk because they are backed by the collateral of the goods being exported. Borrowers have defaulted on less than 2 percent of all loans backed by Ex-Im over the past eight decades, a default rate lower than commercial banks.

The Overseas Private Investment Corporation (OPIC), the U.S. government's development finance institution, is also a critical agency. It mobilizes American private capital to address major development challenges in emerging markets, often in support of key foreign policy objectives. It helps U.S. businesses of all sizes take advantage of lucrative growth markets, and it turns a profit year after year.

OPIC provides U.S. investors with financing, guarantees, and political risk insurance when private sector funding is unavailable. OPIC's activities are perhaps most notable in Africa: OPIC in 2012 committed \$907 million to projects in Sub-Saharan Africa, helping to create jobs, raise living standards, and stimulate economic growth opportunities in the U.S. and abroad.

Partnering with the private sector is the hallmark of OPIC's work. Historically, every dollar of OPIC support has leveraged about \$2.70 in private sector investment. Since 1971, OPIC has supported more than \$200 billion of investment which, in turn, has generated about \$75 billion in U.S. exports and supported more than 275,000 American jobs.

OPIC services are not free. Companies that use these services pay interest, fees, and premiums for the services, in addition to repayment of principal amounts on loans. This allows OPIC, like Ex-Im, to operate on a self-sustaining basis at no cost to the U.S. taxpayer. Last year, OPIC earned a net profit of \$272 million, and the agency has helped reduce the federal budget deficit for 35 consecutive years.

OPIC's authorization has been extended 10 times via a succession of Appropriations bills and Continuing Resolutions. For a period of time in 2008, that authorization lapsed completely, and the agency was unable to process any transactions. This has made the investment community wary. The Chamber urges Congress to provide OPIC with permanent authorization. Doing so will provide assurance to the business community of OPIC's long-term involvement in their projects, most of which carry tenors of 10 years or more.

Another important agency supported by the International Affairs budget is the U.S. Trade and Development Agency (USTDA). USTDA works to increase U.S. exports and help companies expand overseas by connecting American companies with targeted development projects in emerging economies. Last year, USTDA identified \$2.2 billion in U.S. exports to

emerging markets that were directly attributable to its programs. For every \$1 programmed by USTDA, the Agency identified over \$63 in exports of U.S.-produced goods and services.

USTDA's programs directly support U.S. businesses facing competition from companies subsidized by foreign governments. From tied training grants to strategically timed reverse trade missions, USTDA helps U.S. firms compete on an international playing field that is often skewed against them.

USTDA responds directly to the needs expressed by the U.S. business community. To better position U.S. firms in the international arena and invest in projects that will most likely provide the highest return, USTDA has re-programmed its funds towards priority sectors including energy, transportation, and information and communications technology. Over 90 percent of contracts awarded by USTDA are performed by small businesses. Once U.S. small businesses are introduced to overseas export opportunities, many go on to succeed in securing new contracts in foreign countries.

Public – Private Collaboration

Consider the following examples of collaboration between the private sector and programs supported by the U.S. International Affairs budget:

- PepsiCo, USAID, and the United Nations World Food Programme in 2011 partnered to improve yields, production, and the availability of healthy food in East Africa. The program—dubbed Enterprise EthioPEA—uses chickpea production to address famine and malnourishment in the Horn of Africa and stimulate economic development in Ethiopia.
- In 2011, Walmart partnered with USAID on a regional agreement named Tierra Fértil (Fertile Soil) to support farmers in Costa Rica, Nicaragua, Honduras, Guatemala, and El Salvador. The initiative helped farmers diversify their crops and improve their quality—all while meeting real market needs.
- Working with the Inter-American Development Bank (IDB), The Coca-Cola Company has rolled out a program to improve access to clean water in partnership with American entrepreneur Dean Kamen (President of DEKA R&D and inventor of the Segway scooter) and the NGO Africare. This collaboration focused on Kamen's new water purification system, but the partnership with the IDB is vital to bringing this technology to communities in need in rural parts of Latin America (and Africa through Africare).
- Miss Jenny's Pickles, a small North Carolina business run by entrepreneurs Jenny Fulton and Ashlee Furr, in 2011 began exporting their pickles to China with export finance provided by Ex-Im. Their products are now available in more than 800 stores across the United States, and Miss Jenny's Pickles is now eyeing Canada, Hong Kong, and Germany as potential export markets.

A Competitive World

The global economy provides many avenues to create American jobs and spur economic growth if the United States builds the necessary foundation to ensure American companies can be competitive. For American businesses and workers to seize these opportunities, we must use the full range of available tools to achieve success in these demanding environments.

U.S. companies risk falling behind if the federal government fails to maintain a significant diplomatic/economic presence overseas or provide American businesses with tools that can help level the playing field. Competition is fierce in fast-growing markets such as those in Southeast Asia, Latin America, and Sub-Saharan Africa, and firms based in other regions are actively working to get their own market share.

This competition will only become more intense. Some studies estimate that China's government-supported economic development programs in Latin America, Asia, and Africa grew 25-fold in the five-year period from 2002 to 2007. Indeed, in its first official report on foreign aid policy, the Chinese government indicated that its budgeted foreign aid grew by nearly 30 percent per year between 2004 and 2009.

While the United States and most industrial countries have been moving away from tied aid, China's development assistance is often tied to requirements to purchase products or services from Chinese companies. For example, the Chinese government has offered loans to African governments on the condition that they buy telecommunications equipment only from Chinese companies.

In this challenging environment, unilateral disarmament is not the answer. U.S. companies and the workers they employ need the partnership of the agencies funded by the U.S. International Affairs budget to be competitive. That partnership requires sufficient and sustained funding of these agencies.

Representing just over one percent of federal spending, the International Affairs budget is an investment that will strengthen our economy by shoring up vital export markets, promoting economic development and good governance, and reaffirming U.S. leadership. At stake is the standing of the United States as the world's leading power, our ability to exert positive influence around the world, our reputation and brand overseas, and our best hopes for escaping high unemployment. The U.S. Chamber of Commerce looks forward to working with the members of the Subcommittee on this and other issues.

Thank you very much.