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Austin Owen Lecture: The National Export Strategy

Raymond E. Vickery Jr.

AUSTIN OWEN LECTURE

THE NATIONAL EXPORT STRATEGY

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The Honorable Raymond E. Vickery, Jr., presented this address as The Fourth Annual Austin Owen Lecture on October 5, 1995. The Honorable Austin E. Owen attended Richmond College from 1946-47 and received his law degree from the T.C. Williams School of Law in 1950. During his distinguished career, Judge Owen served as the Assistant U.S. Attorney for the Eastern District of Virginia, was a partner in Owen, Guy, Rhodes, Betz, Smith and Dickerson and was appointed Judge of the Second Judicial Circuit of Virginia where he served until his retirement in 1990. In 1991, Judge Owen's daughter, Dr. Judith O. Hopkins, W'74, and son-in-law, Dr. Marbry B. Hopkins, R'74, established the Austin Owen Lecture which is held each fall at the Law School. The Law School community grieved the loss of this distinguished alumnus upon his death in March, 1995.

I. INTRODUCTION

In 1993, the Clinton Administration launched this country's first-ever National Export Strategy (NES). The NES was a plan for all relevant agencies of the United States Government to work together to increase exports of United States goods and services. The overall goal of the strategy was to increase our exports of goods and services from more than $640 billion in

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1993 to over $1 trillion by the year 2000. In 1994, this goal was raised to a more ambitious $1.2 trillion.

The underlying purpose of the NES goal was to create more jobs and increase the standard of living for all Americans. As stated by the President:

> The work that exporters . . . do to expand jobs and growth is fundamentally important, because every time we sell $1 billion of American products and services we create about 20,000 jobs. In all more than seven million Americans clearly owe their jobs to exports. And because those workers and export related jobs make about 17 percent more than the average worker, we need more of these jobs.[1]

In every respect, exports continue to be fundamental to the American economy. In 1994, U.S. exports of goods and services exceeded $700 billion—approximately 10.4 percent of the Gross Domestic Product (GDP)—supporting some 11.8 million jobs. In 1995, exports have been running at an annual rate of $767 billion—approximately 11.0 percent of GDP—supporting some 12.7 million jobs. For 1996, the projections are $850 billion worth of exported goods and services, constituting 11.5 percent of GDP and supporting 13 million jobs. Obviously, exports are a tremendous engine for job creation.

Perhaps even more impressive is export-related job performance relative to nonexport job performance. Since 1990, export-related jobs have grown about six times faster than total employment. As the President pointed out, these jobs pay wages that are significantly higher than non-export related jobs. Over the last decade, exports have accounted for about one-third of real U.S. economic growth.[2]

II. LEGAL AND LEGISLATIVE BACKGROUND

The legal framework for the National Export Strategy was laid in the Export Enhancement Act of 1992.[3] Section 201 of

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1. TRADE PROMOTION COORDINATING COMMITTEE, TOWARD A NATIONAL EXPORT STRATEGY 1 (1993).
2. *See* J. DAVID RICHARDSON & KARIN RINDAL, WHY EXPORTS REALLY MATTER! (1995).
3. Export Enhancement Act of 1992, Pub. L. No. 102-429, 106 Stat. 2186 (1992)

this Act requires the President to establish the Trade Promotion Coordinating Committee (TPCC).[4] The Secretary of Commerce is designated as the chairperson of the TPCC, with representatives coming from each of those agencies in the United States government that have an impact on U.S. exports.[5] The President implemented the Act through an Executive Order and by issuing instructions to the Secretary of Commerce and the heads of TPCC agencies.[6]

The statutory purpose of the TPCC is to provide a framework to develop a strategic plan for coordinating the government's export promotion and export financing activities.[7] The Act provides that the TPCC shall coordinate export promotion policy, provide a central source of information for export promotion activities and ensure better delivery of government services to assist businesses.[8] This strategic plan, the NES, is to establish priorities for federal activities in support of exports, identify areas of overlap between agencies involved in export promotion activities, and propose to the President an annual unified federal trade promotion budget to support the NES.[9]

The Secretary of Commerce is required to submit an annual report that describes the NES and its implementation to the Senate Banking, Housing and Urban Affairs Committee and to the House International Relations Committee.[10] Secretary Ronald H. Brown submitted last year's report to Congress in testimony on October 12, 1995.[11]

III. NATIONAL EXPORT STRATEGY 1993

The heart of the National Export Strategy, as stated in 1993, was sixty-five detailed recommendations to carry out the man-

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(codified at 15 U.S.C. §§ 4052, 4721, 4727-4729 (1994)).

4. 15 U.S.C. § 4727 (1994).
5. *Id.* § 4727(d).
6. Exec. Order No. 12,870, 3 C.F.R. 652 (1994), *reprinted in* 15 U.S.C. § 4727 (1994).
7. 15 U.S.C. § 4727(a) (1994).
8. *Id.* § 4727(b).
9. *Id.* § 4727(c).
10. *Id.* § 4727(f).
11. 141 CONG. REC. D1198-01 (1995).

date of the President and the Congress. The most important of these recommendations fall into six major categories: (1) advocacy, (2) counteracting tied aid practices, (3) export decontrol, (4) export assistance centers, (5) country commercial plans, and (6) a unified budget.

A. *Advocacy*

Perhaps the most important component of the National Export Strategy as originally set forth and as implemented over the past two years has been the establishment of "advocacy" as a hallmark of the Clinton Administration's approach to increasing exports. The advocacy component of the strategy was important not just for the mechanisms it established but also for its change in approach to assisting U.S. firms on particular transactions in foreign markets. Prior to the Clinton Administration, U.S. Government advocacy had occurred on an ad hoc, "if asked" basis. In practice, there was often a strong bias against assisting particular firms on particular transactions in foreign markets. This approach contrasted sharply with the approach of our leading national competitors. France, Germany, Japan, the United Kingdom, Canada and Italy have had aggressive advocacy programs for decades. Studies prepared in the course of drafting the NES indicated that foreign government advocacy has been instrumental in securing contracts for their firms competing against U.S. firms. This was especially so in emerging markets, where U.S.-style market mechanisms are still developing.

The initial step for implementing the NES advocacy recommendation was the establishment of an Advocacy Center at the Department of Commerce. My first assignment upon joining the Department was to set up the Center. I started work at the Department on November 3, 1993 and was asked to have the Center established for inauguration by the meeting of the TPCC on November 22, 1993. We opened the Advocacy Center on November 18, 1993.

The Advocacy Center is a small group of dedicated professionals working with the latest in computer and communication technologies to act as the "nerve center" for advocacy throughout the agencies of the TPCC. Beginning with a professional staff of four, it now consists of twenty specialists whose duties are divided along industry sector and foreign geographical lines. Pursuant to the NES, an Advocacy Network was also established, consisting of representatives of each of the TPCC agencies. These representatives have direct access to the highest levels of their agencies. The Advocacy Center acts as a central contact point for the Advocacy Network to organize and coordinate its work. I chair the Advocacy Network, and we meet on a monthly basis to set policy, review strategy and assess activities and results of the advocacy program.

While the large intensive interagency activities are focused on major projects, the Advocacy Center also serves as a switching mechanism to get all qualified projects, large and small, to the proper place in the government for advocacy. Most advocacy is done at our diplomatic posts around the world. Secretary of State Warren Christopher has established an "America Desk" to assist in such advocacy. Advocacy may also take place at country or industry sector desks at the Department of Commerce or anywhere throughout the agencies of the TPCC.

Advocacy operates pursuant to guidelines agreed to by Commerce and State, which provide for eligibility based on a "national interest" standard. A project or transaction is initially presumed to be in the national interest for advocacy purposes if the project has more than fifty percent U.S. content. However, the principal overall standard is the positive impact on U.S. jobs and standard of living. The guidelines proscribe advocating on behalf of one eligible U.S. company against another.

With the leadership and staff support of the Advocacy Center, the Advocacy Network engages in strategic planning to guide prioritization and decisionmaking, information gathering, needs assessment and tactical integration of the resources of the various network agencies into a successful advocacy program.

The Advocacy program is very focused on results. The aim is to have deals won by American businesses based upon the price and quality of the American offering. U.S. government support is often necessary to level the playing field in foreign markets so that U.S. companies can win projects based upon their merits. Many of the advocacy projects involve infrastructure. Here the stakes for U.S. workers and the American standard of living are enormous. The World Bank estimates that in East Asia alone these economies need to spend the equivalent of $1.2 to 1.5 trillion in the next decade.[12] Under such circumstances, it is perhaps not surprising that during the first eighteen months of operation the Advocacy Network was successfully involved in projects amounting to some $57 billion. The U.S. export content of these transactions is approximately $26 billion. The total number of U.S. jobs to be supported by these projects is approximately 350,100. In 1995 we estimate that $41 million was spent directly and indirectly on this program. We believe the money was well spent and the benefits are manifest.

B. *Tied Aid*

Closely associated with the advocacy portion of the National Export Strategy is that portion which pertains to "tied aid." Tied aid is concessional financing provided to developing countries on terms that tie or condition the assistance on the purchase from the donor country of the equipment and services financed by the aid. Historically, trade motivated tied aid for projects that should normally receive commercial financing is estimated to have cost U.S. exporters millions of dollars. In 1993 foreign tied aid commitments were estimated to total $7 billion worldwide.

Particularly through the Organization for Economic Cooperation and Development (OECD), the United States has worked for the reduction of trade-distorting tied aid. It continues to do so. However, pursuant to the National Export Strategy, the Clinton Administration announced for the first time a "Tied Aid Capital Projects Fund" to counter and eliminate the use of trade-distorting foreign tied aid credits. The Capital Projects Fund is not used to initiate U.S. tied-aid credits. However, the United States is prepared to counter potential foreign tied aid offers wherever they occur. The fund, operating with a subsidy budget of about $150 million per annum, has offered to counter tied aid proposals on projects worth around $2 billion.

12. HARINDER KOHLI, INFRASTRUCTURE DEVELOPMENT IN EAST ASIA AND PACIFIC: TOWARDS A NEW PUBLIC-PRIVATE PARTNERSHIP (1995).

In conjunction with multilateral efforts, the program seems to be working to reduce world levels of trade-distorting tied aid. Over 1993-1994 (the first two full years of the OECD tied aid rules), the annual average level of trade-motivated tied aid credit notifications was cut by slightly more than half. There also has been a shift of tied aid notifications away from sectors more likely to distort trade—such as manufacturing and telecommunications—to the social sectors and targeted poor rural areas.

C. *Export Decontrol*

A major component of the National Export Strategy has been to bring our export controls up to date for a post-Cold War world and into alignment with the competitive realities of the international spread of technology. In September 1993, the United States controlled the export of all computers operating at over 12.5 million theoretical operations per second (MTOPS, a measure of the process speed of a computer). This control level required licensing authorization for almost any computer, including some desktop personal computers. The United States was considerably out of line with its Western European and Japanese competitors where computers many times more powerful than the 12.5 MTOPS were available off the shelf. As a result of the National Export Strategy, requirements for prior government authorization for computer exports to most destinations rose to 500 MTOPS. This action has freed about $30 billion of computer exports per year from licensing requirements. In addition, the definition of the highly controlled supercomputer was raised from 195 MTOPS to 1500 MTOPS. While still controlled, the export licensing process for computers from 500 to 1500 MTOPS has been greatly streamlined without a reduction in national security.[13]

13. On October 6, 1995, President Clinton announced plans for further liberalization of rules governing computer exports. Regulations implementing this further liberalization were published January 25, 1996. Countries are divided into four categories under those regulations. Export licensing requirements vary among the four categories from no individual licenses regardless of performances level for nations in the "tier," category to virtual embargo for nations in the "Tier 4" category. Industry sources estimated that this further liberalization will free an additional (estimated) $10 billion per year in computer exports from the need to obtain individual licenses. *See Com-*

Other liberalizations have taken place in the area of telecommunications equipment exports to most destinations and end users. We also have harmonized export controls on certain chemical mixtures consistent with multilateral agreements, releasing these products from licensing requirements. Perhaps most importantly, we are now undertaking the first comprehensive rewrite of the Export Administration regulations in forty years. The Clinton Administration is also working with Congress to reauthorize the Export Administration Act,[14] which has not been updated since 1988. These reforms should reduce the maximum processing times for individual licenses by twenty-five percent, and will set strict time limits for licensing review and a "default to decision" process to ensure rapid decisionmaking and escalation of licensing application.

D. *Export Assistance Centers*

The National Export Strategy sought to improve delivery of export counselling services, particularly to small and medium-sized enterprises, through a program of co-location of domestic offices. These co-location offices, known as U.S. Export Assistance Centers or "one-stop shops," combine the trade information expertise of Commerce with the small business focus of the Small Business Administration (SBA) and the financial assistance from the Export Import Bank of the United States (Ex-Im Bank) and SBA. In some places, U.S. Agency of International Development district offices and offices of state and local government are also combined. In the first year, four such one-stop shops were established, in the second eight more, and three more are set for opening before the end of 1995. Results thus far have been impressive. For example, the Chicago Export Assistance Center has seen a fifty-six percent increase in helping "new to market" companies in the first year, while the Baltimore office reports a sixty percent increase in export actions over this time period.

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merce Department Implements Regulations Liberalizing Controls on Computers, UNITED STATES DEPARTMENT OF COMMERCE NEWS (Office of the Secretary, Wash., D.C.), Jan. 25, 1996, at 1-2.

14. 50 U.S.C. App. § 2401 (1991).

E. *Country Commercial Plans*

To parallel the interagency strategic approach embodied domestically in the National Export Strategy, commercial strategic plans for each key U.S. national export market were prepared and have been implemented. For the first time in many instances, the various agency attaches, with commercial responsibilities at U.S. embassies, were drawn into country teams that built strategic plans for each market. The plans were approved by the Ambassador in each of the countries. Perhaps most importantly, these plans have served to integrate the efforts of not only the various agencies represented at the post, but also the efforts of the post with those of private sector and state representatives in major markets. These strategic plans have been instrumental in realizing Secretary Christopher's goal of establishing commercial activities as one of the three pillars of foreign policy implementation at embassies around the world.

F. *Unified Budget*

Our efforts over two years have produced the nation's first interagency budget for trade promotion. The Administration is now able to break down trade promotion expenditures by activity, geographic region, industry sector, and (less accurately) size of business. The budget shows that federal funding connected with trade promotion was about $3.1 billion for fiscal year 1995. This represents about a thirteen percent decrease in funding compared to fiscal year 1994.

At this time there is some debate in Congress over the legitimacy of government trade promotion activities. Some say that the market can take care of trade promotion needs. However, a bipartisan majority in the Congress and the Clinton Administration believes otherwise. The primary reason is simply that the international market is filled with market failures and imperfections. It is to these failures and imperfections that federal trade promotion programs are targeted. Thus, the NES budget breaks down the expenditures by these imperfections. There are classifications for negotiating open markets and reducing foreign barriers to trade and combatting foreign export subsidies. Other types of market failures addressed by federal trade promotion programs include procurement discontinuities and information asymmetries.

The unified budget shows that nearly eighty percent of all trade promotion funding is concentrated in two trade promotion activities: (1) combatting foreign exports subsidies and (2) financing and insuring U.S. trade and investment. Programs in these areas predominantly reside in the Department of Agriculture and the Ex-Im Bank. Programs designed to provide information, counselling and export assistance services mark the third largest category of funding, with eight percent of the total budget. The Department of Agriculture (fifty-six percent), the Ex-Im Bank (twenty-seven percent), and the Department of Commerce (eight percent) constitute over ninety percent of all export promotion expenditures.

Under the NES, we are making progress in performance measures of outputs and outcomes. The figures regarding the advocacy program have been cited above.[15] In such areas as providing information counselling and export assistance services, the results are much harder to quantify. For example, over the past year the Department of Commerce conducted some half-million counselling sessions and our surveys indicate that eighty-five percent of customers were satisfied. Likewise, there were conducted by the TPCC some five hundred trade events with some fourteen thousand event participants. Surveys indicate that the percentage of satisfied customers for these events has been very high—nearly one hundred percent of participants rate their experience as satisfactory or better. We have been able to track $6 billion worth of success stories attached to the information counselling and export assistance services in addition to the $57 billion in advocacy successes. This is to be compared with budgets for these activities of approximately $246 million and $41 million, respectively. Suffice it to say at this point that the National Export Strategy has brought a focus to performance measures not previously known in the United States Government and the indicators are overwhelmingly positive on a cost benefit basis.

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15. *See supra* part III.A.

IV. NATIONAL EXPORT STRATEGY 1994

In 1994 the National Export Strategy turned its focus to new opportunities for American business abroad. This focus was both geographic and by sector. In addition, for 1994, the NES brought a renewed focus to the area of trade finance.

A. *Big Emerging Markets*

Traditionally, America's leading markets have been in Western Europe, Canada and Japan. However, if the United States wants to retain its position as the world's leading exporter, it must look to those developing countries that will experience the largest growth in demand in the first part of the twenty-first century. Of all world trade growth in the next two decades, almost three quarters is expected to come from developing countries. A small core of those nations have been selected by the Department of Commerce for special emphasis by the TPCC in its Big Emerging Markets Initiative.

The Department of Commerce selected ten countries that are expected to account for over forty percent of total global imports over the next twenty years. United States exports to these countries are expected to surpass those to either Japan or Western Europe by the year 2000. By the year 2010, United States exports to these countries should surpass our exports to both the European Union and Japan combined. These Big Emerging Markets (BEM's) are: in Asia, the Chinese Economic Area (including China, Hong Kong and Taiwan), Indonesia, South Korea and India; in Latin America, Mexico, Brazil and Argentina; in Central Europe, Poland and Turkey; and in Africa, South Africa. U.S. exports to the BEMs were approximately a quarter of U.S. exports in 1993. They are expected to more than double their share of world imports by 2010, rising to nearly twenty-seven percent.

In addition to a BEM conference, articles and speeches, there have been several points of the BEM strategy applicable to all ten countries. First for every BEM, a longterm export strategy and an interagency team to manage it have been formed. Second, in each BEM, the National Export Strategy calls for developing special bilateral forums through which to discuss commercial cooperation. All of these forums involve heavy private sector participation. Examples are the U.S.-China Joint Commission on Commerce and Trade, the U.S.-South Africa Business Development Council, the U.S.-India Commercial Alliance and the U.S.-Argentina Business Development Commission. Third, in each BEM, Commerce hopes to build a special U.S. commercial center. These centers are "one-stop shops" overseas, located outside of the U.S. Embassy and easily accessible to American firms and their customers. Centers are already open in Mexico City, Mexico; Sao Paulo, Brazil; and Jakarta, Indonesia. The Department expects other such centers to open in Shanghai, China and Pretoria, South Africa this year. Fourth, the TPCC has also undertaken a vigorous program of Cabinet and sub-Cabinet officials travelling to the BEM's in order to develop stronger commercial ties between these countries and the United States.

B. *Economies in Transition*

Two areas of the world are experiencing astounding political change. As a result of the fall of communism as a political and economic system in Russia and the Newly Independent States, and the unprecedented progress toward peace in the Near East, these developing areas are being treated separately from the Big Emerging Markets.

If they succeed with their political and economic efforts, Russia and the other Newly Independent States are expected to be among the fastest growing markets of the twenty-first century. However, the emphasis on the political aspects of transition from a command to a market economy and the very significant national security issues connected with this region call for it to be treated vigorously although in a different manner from the BEMs. The National Export Strategy called for the establishment of the U.S.-Russia Ombudsman for Energy and Commercial Cooperation. The activities of the Ombudsman represent a major step forward in the development of the Russian energy sector and offer a significant opportunity to demonstrate the benefits of Western investment and advanced technology.

The Gore-Chernomyrdin Commission has played a key role along with the U.S.-Russia Business Development Committee in providing new opportunities for U.S. business in Russia. Ex-Im Bank Chairman Kenneth Brody has gone to Russia to establish operating guidelines for the Commission in conjunction with the BDC, and Secretary of Commerce Ronald H. Brown led a U.S. Presidential Business Development Mission to Russia comprising twenty-nine CEOs and officials from eleven U.S. agencies. The mission alone facilitated four intergovernmental agreements and twelve commercial deals that represent hundreds of millions of dollars in near-term trade and investment. The value could exceed $15 billion over the long term.

In regard to the Near East, the TPCC has supported the peace process through a series of economic summits, conferences and trade missions. A Science and Technology Commission has been established with a focus on international trade. The aim has been to foster transition by the establishment of strong commercial activity. In the process, new opportunities for U.S. business have been created in this region.

C. *Sectoral Opportunities*

In 1994, the National Export Strategy formulated particular initiatives to emphasize opportunities in several key industry sectors. These sectoral initiatives are described below.

1. Environmental Technologies

The worldwide market for environmental technologies is expected to present significant opportunities for American business into the twenty-first century. In 1994, it was estimated that this market totaled about $300 billion. It is expected to be $400 billion by the end of the decade and some $600 billion by the year 2010. Under the auspices of the Trade Promotion Coordinating Committee, an Environmental Trade Working Group (ETWG) of interested agencies was formed. I was appointed by Secretary Brown to chair that group. The ETWG has put into place five market plans for key international opportunities and a nationwide Environmental Trade Advisory Committee to establish a strong public-private partner in this area.

The Department of Commerce has created an Office of Environmental Technologies Exports. This office tracks international opportunities and changes in foreign environmental enforcement activities. Professionals from this office counsel approximately one hundred businesses per month. In the past year, the office has organized some fifty trade promotion events to help facilitate the entry of U.S. environmental companies into foreign markets.

Under the EPA's Technology for International Environmental Solutions (TIES) program, significant training has been provided to U.S. government officials at foreign posts and throughout the Commerce district office network. Led by the Department of Energy, an ETWG subgroup on clean coal technologies is working on demonstration projects to help U.S. companies reach this large and fast-growing global market. In the area of financing, Ex-Im Bank has established an Environmental Export Program that offers the best available terms for the financing of environmental technologies exports. Similarly, the Overseas Private Investment Corporation (OPIC) is aggressively supporting environmental industry exports by the establishment of an environmental enterprises development initiative program that offers up to $100,000 in assistance for feasibility/pre-investment studies of environmental investment projects. In Asia, the U.S.-Asia Environmental Partnership coordinates with private businesses to exploit environmental technologies opportunities. The U.S. Trade and Development Agency has funded feasibility studies for wastewater projects for more than sixteen countries during fiscal year 1995 and supports the development of business plans for wind cogeneration and other alternative energy projects.

2. Services

A National Export Strategy Services Initiative was established to take advantage of America's competitive edge in the services economy. Services is presently the largest sector of the U.S. economy, accounting for eighty percent of all private sector output and over 75 million jobs. This initiative has helped 1994 U.S. services exports exceed imports by $62 billion. Achievements over the last year include seventeen overseas trade missions and sixty service firms being awarded contracts valued at over $12 billion and resulting in $400 million of U.S. services exports. Ten TPCC-sponsored conferences have addressed strategic issues affecting services trade and renewed emphasis on negotiating bilateral opening of foreign markets for U.S. services.

3. Information Technologies

Information technologies (IT) spans the electronics industry. IT is expanding at a rapid rate, with projections to the year 2000 showing a doubling of the global market to $1 trillion. U.S. IT exports currently run nearly $100 billion a year. U.S. suppliers face an increasingly competitive world market as foreign firms and their governments work in concert to compete for multi-million dollar infrastructure projects. However, the U.S. has a very significant competitive edge, particularly in the fields of software and some computer components where small and medium sized American companies are particularly active.

In addition to advocacy on large IT infrastructure projects, our strategy in this area is focused on small and mid-sized enterprises. In the past year more than 230 IT companies have joined twenty Commerce Department trade events to all regions of the world, resulting in over 4,000 business leads for these firms and over $20 million in immediate sales. Advocacy has produced results in this area as well, with more than 35 successful IT advocacy projects representing a sales value of nearly $2 billion during 1995. The Department of Commerce has organized regional seminars which dovetail into the Commerce Department's Market Development Cooperator Program. Through this matching fund program, IT trade associations have established business facilitation offices in Tokyo, Brussels and Beijing. Last year, these offices assisted over 300 U.S. suppliers, particularly small and medium-sized enterprises, to do business in those markets.

4. Trade Finance

The final component of the National Export Strategy as announced in 1994 was a focus on trade finance. This emphasis falls chiefly into three areas: (1) trade finance and working capital for small exporters, (2) project finance, and (3) investment insurance.

In the area of small and medium-sized enterprise financing, Ex-Im Bank and the Small Business Administration have meshed their small business lending programs. Ex-Im Bank concentrates on loans greater than $500,000, and SBA focuses on loans less than that amount. Now there is a single, simplified set of application documents, and processing time has been reduced. Through the U.S. Export Assistance Centers and the Bankers Association for Foreign Trade database, more small and medium-sized businesses are able to take advantage of these financing programs than ever before.

In regard to project finance, the Ex-Im Bank and OPIC have entered into an initiative to arrange project finance to support U.S. exporters. Project finance is simply limited to non-recourse financing not involving a sovereign guarantee. It is a type of financing where repayment is based primarily on the revenue flow of the project funded.

In regard to investment, it is clear to the TPCC that foreign direct investment plays an integral role in creating U.S. jobs and exports and generating economic growth. Evidence indicates that over the years foreign direct investment has increased the volume of American exports. Under the National Export Strategy, OPIC increased its per-project limit to $200 million and is building a capacity to support a higher level of lending activity.

Pursuant to law, OPIC turns down ventures involving the transplanting of U.S. facilities overseas. It refuses backing for projects that adversely affect the U.S. economy or local environment or that fail to protect workers' rights. OPIC programs for fiscal year 1994 resulted directly in $3 billion in U.S. exports and 51,500 person-years of U.S. employment.

V. NATIONAL EXPORT STRATEGY 1995 AND BEYOND

These are uncertain times for all governmental programs. Taxpayers are demanding greater value. Government at all levels must respond with programs which are cost effective and meet needs that cannot be met effectively through the private sector. For fiscal year 1996, the National Export Strategy will, most importantly, follow through with implementation of those programs which have been set in place. There will be an even greater effort to link trade promotion funding with performance. Output and outcome measures will be closely examined to determine whether they effectively complement the private market.

This year we will concentrate on meeting the competitive threat. Advocacy will remain the flagship project of the Trade Promotion Coordinating Committee. Its preeminent status is attributable not just to the advocacy results that have been obtained but also to the role it can play in bringing about a world trading system that functions according to market principles. As a part of our advocacy program, we will pay more attention not only to getting the business but also to using specific projects to further the goal of making foreign market mechanisms work in a transparent and rational fashion. This means in part that we will concentrate on such measures as using advocacy to further the implementation of anti-bribery initiatives.

The State Department has led U.S. government efforts to implement the May 1994 recommendation of the OECD that calls upon all members to take effective measures to combat bribery through domestic action and international cooperation. Since then, the U.S. Government has learned of nearly ninety cases of foreign firms using bribery to undercut the efforts of U.S. firms to win international contracts with a value of around $45 billion. Of these ninety cases, the U.S. firms have already lost more than twenty contracts—worth almost $7 billion—at least in part because of the bribes paid by their competitors.

A symposium on international corruption held in 1995 demonstrated the deep concern of the trade and investment partners of the OECD nations that international action be taken on this important issue. The importance of combatting bribery was also underscored at the Miami Summit of Western Hemisphere Nations held in December 1994. In the coming year, the Advocacy Center and Advocacy Network will support the TPCC Agencies in an effective and practical way to follow up on actions agreed to at the Miami Summit. We will work with multilateral organizations, such as the OECD and the Council of Europe, that are taking actions to deter and prevent illicit payments. We will also work with private sector groups such as Transparency International, which is developing a voluntary antibribery code for multinational firms. We will enhance our monitoring of foreign competitive practices and strengthen our databases of both successful and unsuccessful techniques to enable us to become more effective advocates. We will fortify our advocacy efforts by undertaking more sub-Cabinet trade missions focused on sectors that will provide opportunities for small and medium-sized companies to break into key markets. We intend to strengthen our training and orientation for all TPCC agencies in the techniques and approaches for successful advocacy.

Finally, we plan in 1996 to help small and medium-sized businesses export more. We believe that there is a huge "export gap" of $35-55 billion by which we can boost our exports simply by having small and medium-sized manufacturers export in proportion to their percentage of total U.S. manufactures. Our Trade Information Center (TIC) will be key in this effort. The TIC, with its 1-800-USA—TRADE communications system, is already handling some 60,000 calls per year—ninety percent of which are from small businesses—with an eighty-five percent satisfaction rating. We intend to embark upon programs of mentoring and increased education in the specifics of particular sectors and markets for small business.

VI. CONCLUSION

Experience has shown that the National Export Strategy instituted by the Clinton Administration in 1993 is bearing fruit. This program has strong bipartisan support. All signs are that, if maintained and supported, the National Export Strategy will add measurably to national employment and standards of living into the twenty-first century.