

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

NEIL L. BRADLEY
EXECUTIVE VICE PRESIDENT &
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July 8, 2020

The Honorable Nita M. Lowey
Chair
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

The Honorable Kay Granger
Ranking Member
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Chair Lowey and Ranking Member Granger:

As the Committee prepares to mark up the Fiscal Year 2021 State, Foreign Operations, and Related Programs Appropriations bill, the U.S. Chamber of Commerce urges you to support full funding for the U.S. International Affairs Budget—including the U.S. Export-Import Bank (Ex-Im), the U.S. International Development Finance Corporation (DFC), the U.S. Trade and Development Agency (USTDA), and the National Endowment for Democracy (NED). The Chamber supports strong U.S. leadership in the global marketplace and feel certain that our presence contributes to a stable environment where businesses can expand their presence and create opportunity.

The International Affairs budget is critical to creating jobs, saving lives, protecting U.S. diplomats and embassies abroad, and fighting terrorism and the spread of weapons of mass destruction. U.S. foreign assistance programs provide technical advice and build stronger political, legal, and economic policy regimes in developing countries that help these nations to become reliable trading partners. At a time when export opportunities represent a potential lifeline to the U.S. economy and a motor for domestic job creation, these international programs are more important than ever.

Today, overseas markets represent 95 percent of the world's consumers and 80 percent of its purchasing power. Exports already support half of all manufacturing jobs, and one in three acres of American farms is planted for hungry consumers overseas. Approximately 300,000 small- and medium-sized businesses export, accounting for one-third of all merchandise exports. The International Affairs budget and the agencies it supports play a vital enabling role for U.S. companies to tap foreign markets and create jobs and prosperity at home.

The Ex-Im bank provides vital financing and guarantees to help American businesses export. In the last fiscal year when it was fully functional (FY 2014), Ex-Im backed export sales that supported more than 164,000 American jobs. That same year, nearly 90 percent of Ex-Im's transactions—more than 3,340—directly supported American small businesses. Far from being a

burden on the taxpayer or a subsidy for corporations, Ex-Im charges fees for its services that generated nearly \$7 billion in revenue for the U.S. Treasury over the past two decades above and beyond funds it received in appropriations. Ex-Im enables U.S. companies large and small to turn export opportunities into real sales that help to maintain and create U.S. jobs. Ex-Im's recent reauthorization will enable it to resume this role and assist in economic recovery.

By contrast, failure to support Ex-Im would amount to unilateral disarmament in the face of other nations' aggressive trade finance programs. Other countries have established approximately 100 official export credit agencies (ECAs), and they have extended more than \$1 trillion in trade finance in recent years. Every major trading nation has at least one official ECA; China has three major state financial institutions that fill this role. ECAs in China, Brazil, and other countries that are not parties to the OECD Arrangement on Officially Supported Export Credits provide far more export financing on much more generous terms than Ex-Im and often support far more financing to domestic exporters as a share of GDP than Ex-Im does. In this context, failure to adequately fund Ex-Im would put billions of dollars in U.S. exports and tens of thousands of American jobs at risk. We thank the Committee for including \$110 million for continuing Ex-Im operations.

Using Ex-Im funding could support the development, deployment, and management of secure, reliable 5G communications infrastructure worldwide and encourage international cooperation with our allies and cooperative nations. Unfortunately, this approach is hindered by Ex-Im's outdated U.S. content rules and does not readily apply to today's information and communications technology (ICT) industry. Current Ex-Im policy requires 85% of U.S. content to get full financing. This is a difficult threshold for the global ICT industry to meet. The Chamber recommends that Ex-Im adopt a more flexible approach to U.S. content rules that may include considering U.S. R&D and intellectual property, as well as significantly lowering U.S. content requirements to support the national security priority to finance deployment of secure and trusted telecommunications infrastructure. Ex-Im will not be able to meet its statutory requirements under the Program on China and Transformational Exports unless it can provide export credit financing for 5G telecommunications transactions.

The Chamber also supports \$311 million for the DFC, which leverages private capital to finance global development while also advancing U.S. foreign policy objectives. The DFC supports equity and debt financing in development projects, provides political risk insurance, and offers technical development programs relating to sectors such as infrastructure, power generation, healthcare, and agriculture in developing countries. The DFC holds great promise as the United States endeavors to counter initiatives by some other countries to push a development model based on state capitalism and resulting in heavy debt burdens. The DFC's budgetary impact will be limited as it collects fees, premiums, and interest income to offset appropriations.

USTDA helps companies create U.S. jobs through priority development projects in low- and middle-income countries, which last year purchased more than half of all U.S. exports. USTDA does this by funding feasibility studies, technical assistance, and pilot projects that integrate the expertise and innovation of American companies. Since 1992, USTDA's programs have supported more than \$73 billion in U.S. exports; in fact, during the most recent 10-year

evaluation period, USTDA identified more than \$111 in exports for every \$1 invested in its programming. More than 90 percent of contracts awarded by USTDA are performed by small businesses. At a time when there is a bipartisan consensus that the United States must boost exports to generate growth and jobs at home, cutting funding for USTDA would eliminate an essential tool for achieving this critical objective. We thank the Committee for including \$79.5 million for USTDA.

NED enjoys widespread support from the business community as a cost-effective investment that advances the U.S. national interest abroad in geostrategic and economic ways. NED works on a bipartisan basis in more than 80 countries to help build stable and peaceful democracies. It does so by assisting grassroots organizations in promoting democracy, often in extremely repressive environments. NED is especially important because it funds programs in countries that federal government agencies cannot reach.

The work of NED and its four core institutes is more relevant than ever today. At a time when authoritarianism is on the rise around the globe, NED's work is vital in pushing back against efforts to undermine the rule of law, human rights, and democratic norms and institutions necessary for local economies to maintain a fair and competitive commercial environment. The Chamber supports maintaining the \$300 million in funding for NED to enhance an important institution that advances America's fundamental values and interests.

In addition, the Chamber endorses continued U.S. support and funding for the World Bank (International Bank for Reconstruction and Development as well as the International Development Association) and the regional multilateral development banks (MDBs). Over the years, these institutions have funded successful programs providing financing and policy guidance to help developing countries become more reliable trading partners and markets for U.S. exports. This financing comes with rigorous conditions, including requirements to strengthen transparency, promote good governance, and improve the investment climate.

The MDBs provide this financial assistance to developing countries with minimal U.S. investment but significant impact. Prior to the recent round of capital increases, the United States had invested only \$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. The United States plays a significant role in helping to shape these policies as the largest shareholder at the World Bank and one of the largest at the regional banks. We thank the Committee for including \$3.55 billion for MDBs.

The Chamber also supports funding for U.S. engagement on international cybersecurity and digital economy issues. The department leads important interagency efforts including, the building of cyber capacity in emerging economies, the promotion of the voluntary U.S. National Institute of Standards and Technology Cybersecurity Framework, the promotion of secure and trusted 5G digital networks and vendors, the alignment of ICT global regulatory frameworks, and the development of norms of acceptable behavior in cyberspace.

In addition to these regular appropriations, the Chamber supports the \$10 billion in emergency spending to respond to the global economic, health, and humanitarian consequences of the pandemic. Recognizing the global reach of COVID-19 and the grim reality that its toll elsewhere will directly impact Americans in all walks of life, these additional resources are needed to assist in the prevention, identification, and treatment of COVID-19 overseas. As we chart a path toward economic recovery, these funds will help ensure American companies continue to have access to consumers abroad, maintain their global competitiveness, and do not lose market share to our global competitors.

The Chamber thanks you for your consideration and urges you to support full funding for these key initiatives as you mark up the Fiscal Year 2021 State, Foreign Operations, and Related Programs Appropriations bill.

Sincerely,

A handwritten signature in blue ink, appearing to read "Neil L. Bradley", with a stylized flourish at the end.

Neil L. Bradley

cc: Members of the House Committee on Appropriations