Financial Services Committee Markup

H.R. 2604 and H.R. 2871

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Chairman Oxley and Ranking Member LaFalce, I would like to thank you for conducting this important Financial Services Committee mark-up for both H.R. 2604, which reauthorizes the U.S. commitment to the Asian Development Fund and the International Fund for Agriculture Development (IFAD) and sets forth additional policies regarding the other regional multilateral development institutions, and H.R. 2871, the Export-Import Bank Reauthorization Act of 2001. On September 21st of this year, both of these bills, as amended, passed the Financial Services Subcommittee on International Monetary Policy and Trade, of which I am the Chairman, by voice votes.

First, with respect to the regional multilateral development institutions, I introduced H.R. 2604 on July 24th. I would like to thank the distinguished Ranking Member of this Subcommittee from Vermont (Mr. Sanders) for his significant input to this legislation and for his original cosponsorship of this legislation. In addition, I would also express my appreciation for the additional bipartisan cosponsors of this legislation: Mrs. Roukema, Mr. LaFalce, Mr. Baker, Mr. Frank, Mr. Shays, and Mrs. Maloney.

The Administration made authorization requests this year for both the Asian Development Fund and the International Fund for Agriculture Development (IFAD). First, the Asian Development Fund offers concessional loans with interest rates of 1% to 1.5% to the poorest countries in Asia. Section 1 of H.R. 2604 provides a four-year $412 million authorization for the U.S. contribution to the Asian Development Fund, which is identical to the Administration's request. Second, IFAD provides loans and grants for agricultural and rural projects for the world's poor who live in such rural areas. Section 2 of H.R. 2604 provides an authorization of $30 million for the U.S. contribution to IFAD, which also is identical to the Administration's request.

In conjunction with these authorizations, I believe this legislation represented an excellent opportunity to set forth congressional policy towards the Asian Development Bank/Fund, the African Development Bank/Fund, the Inter-American Development Bank, IFAD, and the European Bank for Reconstruction and Development. In fact, the Subcommittee has conducted three hearings which have in part focused on these different institutions. Therefore, H.R. 2604, particularly addresses the subjects of HIV/AIDS, user fees, and transparency as they are relevant to these different regional multilateral development institutions.

First, in order to help address the HIV/AIDS epidemic, Section 3 of H.R. 2604 instructs the U.S. executive directors of the different regional multilateral development institutions to support the integration of HIV/AIDS and other infectious disease strategies and training into the priorities and programs of the respective institutions. Second, with respect to the imposition of user fees, it must be noted that opposition and concern about this subject was expressed in our April 25th Subcommittee hearing on the African Development Bank and Fund. Therefore, Section 4 of H.R. 2604 requires the U.S. executive directors of the relevant regional multilateral development institutions to oppose user fees in impoverished countries for primary education and primary healthcare.

With regard to transparency, the regional multilateral development institutions covered by this legislation currently do not have public meetings; nor are the transcripts of their meetings typically made available to the public. As a result, Section 5 of H.R. 2604 requires the

Secretary of Treasury to instruct the U.S. executive directors at the different regional multilateral institutions to work towards ensuring that the meetings of the respective boards of these institutions are opened to the public. In addition, the U.S. executive directors are to ensure that transcripts and certain key documents are made available to the public.

Regarding, the other legislation being marked-up today, the Export-Import Bank Reauthorization Act of 2001 (H.R. 2871), the Ex-Im Bank was last reauthorized in 1997 for a four-year period that expired on September 30, 2001. The Subcommittee conducted two informative hearings on the reauthorization of the Ex-Im Bank. The Ex-Im Bank is an independent U.S. Government agency that gives direct loans to buyers of U.S. exports, guarantees to commercial loans to buyers of U.S. products, and provides insurance on products which greatly benefit short-term small business sales.

When drafting the Export-Import Bank Reauthorization Act of 2001, I utilized the suggestions and recommendations of the distinguished Chairman of the full Committee, the distinguished Ranking Member of the Subcommittee and the other members of this Subcommittee. I would like to briefly summarize some of the most important provisions of this legislation. To begin with, Section 2 states that the objectives of the Ex-Im Bank include maintaining and increasing the employment of U.S. workers. Currently, the Ex-Im Bank charter does not reference such an important, even fundamental objective.

Section 3 of H.R. 2871 reauthorizes the Ex-Im Bank for four years, until September 30, 2005. As a result of this provision, the program budget, which supports the loans, guarantees, and insurance products of the Ex-Im Bank, is effectively authorized for such sums as are appropriated through FY2005. This approach gives the appropriators the maximum flexibility to sufficiently fund the Ex-Im Bank.

During the Subcommittee's first hearing on this subject, the Ex-Im Bank personnel testified that they were in desperate need of a technology upgrade which would particularly benefit small business users of the Ex-Im Bank. As a result, Section 4 authorizes $80 million for the Administrative budget, which includes funding for information technology for FY2002, and indexes this authorization level for inflation for FY2003 through FY2005.

Section 5 of the legislation is very important to American exporters. Currently, the Ex-Im Bank has a $75 billion statutory ceiling on its portfolio of loans, guarantees, and insurance outstanding at any one time. Under Section 5, this statutory ceiling is increased to $130 billion by FY2005 with this number being indexed for inflation in every year of the four-year authorization period. Increasing the Ex-Im statutory portfolio ceiling is one of the remedies needed to authorize the financial resources for the Ex-Im Bank to enable it to protect American exporters against unfair competition from the much more generous resources of our major export competitors.

Furthermore, the 1997 Ex-Im Authorization Act required the expansion of its financial commitments in Sub-Saharan Africa and reauthorized an advisory committee on this subject to make recommendations to the Board of Directors on how the Ex-Im Bank can encourage and facilitate greater support for American trade with Africa. Section 6 of H.R. 2871 reauthorizes the Sub-Saharan Africa Advisory Committee for four additional years until September 30, 2005. In addition, this legislation creates an Office on Africa within the Ex-Im Bank to better coordinate and to enhance their efforts in Sub-Saharan Africa.

Section 7 of H.R. 2871 increases the small business mandate for the Ex-Im Bank from a minimum of 10% of its total financing to a minimum of 20% of its total financing. It should be noted that for FY2000, the Export-Import Bank invested approximately 18% of its total financing in small businesses. I believe it is very important for the Ex-Im Bank to continue increasing their efforts to assist small business exporters. Moreover, in Section 7, upon the suggestion of our distinguished Ranking Member, 8% of Ex-Im's total financing would be set aside for small business exporters which have 100 or less employees.

It should also be noted that the Tied Aid Credit Fund, also known as the "war chest," was intended to be used by the Ex-Im Bank to protect American exporters by matching the concessionary financing of foreign export credit agencies. Unfortunately, the Tied Aid Credit Fund has been grossly under-utilized, which is due in part to the disagreements between the Ex-Im Bank and the Department of Treasury on how to use the Fund. In fact, recent Tied Aid Credit Fund applications by both a Florida and a Nebraska exporter were approved by the Ex-Im Bank, but subsequently the Treasury overruled this Ex-Im Bank decision and rejected these applications. In both of these cases, there was an obvious communication and organizational breakdown between the Ex-Im Bank and the Treasury Department and an apparent violation of Treasury's own criteria in exercising a veto. Therefore, it was necessary that Section 9 of this legislation addresses these past problems by creating a new definitive step-by-step process between the Ex-Im Bank and the Treasury Department regarding how the Tied Aid Credit Fund is to be administered.

In conclusion, for the reasons I have stated and many others, I believe it is very important for this Committee to mark-up and advance both H.R. 2604 and H.R. 2871. I look forward to today's mark-up.