

Statement by The Honorable Leocadia I. Zak
Director, U.S. Trade and Development Agency
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Chairman Poe, Ranking Member Keating and Members of the Subcommittee, thank you for the opportunity to testify about the U.S. Trade and Development Agency’s support of U.S. foreign policy and national security objectives. We welcome your interest in our work to help U.S. companies create jobs here at home, while promoting sustainable development in emerging markets around the world.

As we were preparing for today’s testimony, my staff came across a quote from Cordell Hull about trade: “When goods and products cross borders, armies don’t.” Hull, who served under President Franklin Delano Roosevelt, was our country’s longest-serving Secretary of State. His experiences during World War II taught him that strong diplomatic and trade relationships mean a resilient economy and a secure nation.

We at USTDA also understand the importance of trade to the United States’ foreign policy and national security interests. Given the impact of globalization, America’s prosperity is increasingly and irrevocably linked with the global economy. Over the past 40 years, trade has tripled as a share of our national economy, and today, one in four American manufacturing jobs is supported by U.S. exports.

The United States’ future economic success depends on trade with strong, stable markets around the world. Our U.S. industry partners understand that their competitors are no longer just across our country – they are across the world. And so are their customers: The International Monetary Fund projects that 85% of the world’s growth through 2018 will occur outside the United States.¹

Many of these consumers are located in emerging economies. Indeed, the world’s fastest growing markets – representing roughly half of U.S. exports – are in developing countries.² U.S. businesses are increasingly targeting these countries as export destinations in order to take advantage of the enormous opportunities that they represent. And many companies have

¹ International Monetary Fund, *World Economic Outlook Reports*, available at: <http://www.imf.org/external/ns/cs.aspx?id=29>, last accessed May 2015.

² U.S. Global Leadership Coalition, *Smart Power 2.0: America’s Global Strategy*, available at: <http://www.usglc.org/downloads/2012/12/USGLC-Smart-Power-Brochure.pdf>, last accessed May 2015.

leveraged USTDA's activities, which are designed to help transform developing and middle-income countries into strong, vibrant trading partners for the United States.

USTDA's program provides mutual benefits: It helps U.S. firms see the value of exporting to and investing in high-growth markets. It also helps our host country partners understand the importance of creating and maintaining stable, secure environments that are attractive to investors. By drawing upon the resources, innovation and ingenuity of the private sector, the Agency is able to accomplish more than it could if it were simply working with public sector partners alone.

USTDA's program promotes American values, which is important in encouraging emerging markets to adopt U.S. principles for trade and international engagement. It also fosters human relationships and makes person-to-person connections. These are essential to building partnerships that will result in long-term economic and diplomatic engagement.

Partnerships like these help to create a more secure world. By taking deliberate steps – such as building infrastructure – to foster sustainable development and to spur economic growth, emerging markets are given the tools to attract investment and to identify longstanding partners. This lays the foundation for long-term economic stability, which, in turn, helps create strong states capable of preventing conflict, managing crises and promoting prosperity.

Today's challenging global economy has required reevaluating traditional approaches to foreign aid. With static budgets for official development assistance worldwide, the days of the traditional government-donor and recipient-nation "aid" relationship are waning. In its place, a new development model has arisen – one that mobilizes private capital to maximize development outcomes and that leverages industry expertise to create mutually beneficial, trade- and investment-based partnerships between nations.

This model of international development has been central to USTDA's core mission since the Agency's inception. In highlighting USTDA's "role in the future of international development" in 2011, the Center for Strategic & International Studies (CSIS) described USTDA's vanguard position: "USTDA's model of development represents the shift underway in Washington from an *official development assistance* paradigm of development to a *trade and investment* paradigm of development."³ The USTDA model – which fosters sustainable growth abroad while increasing U.S. exports and creating jobs here at home – not only advances the economic interests of the United States, it also safeguards national security.

³ Center for Strategic and International Studies (CSIS), Daniel F. Runde and Lauren Bieniek, *USTDA: Good Value for Development Dollars*, October 21, 2011, available at: <https://csis.org/publication/ustda-good-value-development-dollars>, last accessed May 2015.

USTDA's Mission and History

Congress created USTDA to “promote United States private sector participation in development projects in developing and middle-income countries, with special emphasis on economic sectors with significant United States export potential.”⁴ USTDA is unique among federal agencies in that it is mandated to engage the U.S. private sector in development projects at the critical early stages when technology options and project requirements are being defined.⁵ By highlighting opportunities for the use of U.S. expertise and technology when they can effectively be incorporated into project planning, the Agency increases opportunities for the use of U.S. exports in project implementation.

The Agency accomplishes its mission by providing grants to overseas sponsors for priority infrastructure projects in their countries. The funding may be used to perform a feasibility study, launch a pilot project or provide a wide array of technical assistance. USTDA also connects project sponsors with U.S. businesses through its reverse trade missions, which bring foreign decision-makers to the United States to introduce them to the design, manufacture and operation of U.S. goods and services in advance of their procurement decisions.

USTDA has the authority to provide grant funding for projects that may ultimately be financed by any number of entities, including the Export-Import Bank of the United States (Ex-Im Bank), the U.S. Overseas Private Investment Corporation (OPIC), multilateral development banks, commercial banks or other regional lenders, and, where resources exist, the sponsors that will ultimately implement the projects themselves.

The Agency's activities have produced results for both U.S. industry and USTDA's partners in emerging markets: U.S. companies are provided access to the lead infrastructure project sponsors around the world, while foreign partners gain insight into the latest, most appropriate U.S. technologies to meet their development needs. USTDA focuses its program in sectors where U.S. firms are globally competitive, such as energy, transportation and telecommunications. Through this combination, the Agency is able to provide targeted foreign assistance, support U.S. trade and economic development priorities, and promote U.S. job creation.

USTDA's Program in Action

Building Stable Markets for U.S. Exports

In line with U.S. foreign policy and national security objectives, USTDA makes strategic investments to help developing and middle-income countries build infrastructure that can enable the flow of goods within and across borders. By helping our partner countries plan their large-

⁴ 22 U.S.C. § 2421(a).

⁵ 22 U.S.C. § 2421(b)(2).

scale infrastructure platforms, we are building stable markets for U.S. exports and secure routes for global trade.

Latin America, for example, has long been a strategic focus of U.S. engagement. For decades, the U.S. government has worked with its Colombian and international partners on a number of initiatives to strengthen security, diplomatic and economic ties between our countries. More recently, the implementation of the United States-Colombia Trade Promotion Agreement has been key to these efforts. During the agreement negotiations, USTDA worked closely with the Office of the U.S. Trade Representative and other members of the trade capacity building working groups.

As part of this cooperation, USTDA provided technical assistance to help the Port of Cartagena obtain certification as a Container Security Initiative (CSI)-compliant port from the U.S. Customs and Border Protection. In line with the recommendations from USTDA's assistance, the Port of Cartagena acquired non-intrusive inspection equipment, enhanced entry/exit controls and implemented risk mitigation management procedures – with the help of U.S. goods and services, including dredging equipment from Louisiana and trucks from Kansas. Moreover, Cartagena received its CSI designation – strengthening U.S.-Colombia commercial relations while enhancing the safety and security of cargo.

This collaboration illustrates how USTDA helps its partners build infrastructure and develop safer environments for trade. USTDA continues to do so in Latin America and is currently working with its interagency partners to develop a Clean Energy Finance Facility for the Caribbean and Central America (CEFF-CCA) that will catalyze public and private sector investment to support clean energy projects in the region.

Fostering Strategic Partnerships that Strengthen Trade Ties

USTDA's activities also foster strategic partnerships that strengthen human relationships and build long-term trade ties. USTDA has become well known for establishing successful public-private partnerships in high-growth emerging markets. These cooperation programs bring together government agencies and private companies from the U.S. and our partner countries to share technical, policy and commercial knowledge relevant to sectors like aviation and energy. Perhaps most importantly, these programs help U.S. industry develop person-to-person connections that will lay the foundation for future engagement with rising leaders in the world's fastest-growing markets. By providing a platform for sharing values, addressing challenges and achieving goals, these partnerships help U.S. companies expand their business overseas and help emerging markets strengthen their infrastructure.

In fact, for those of you who have traveled to India, you probably did not realize you were benefitting from the work of the Agency's U.S.-India Aviation Cooperation Program (ACP). The ACP has enabled U.S. industry and Indian aviation officials to collaborate in several critical areas, including air traffic management, regulatory oversight, and safety and security. Because

of the relationships that the ACP has helped develop, the Government of India asked USTDA for help in successfully restoring their Category 1 status, the highest safety rating from the U.S. Federal Aviation Administration (FAA). They have also asked us to support specific projects that will help them develop the technical capacity to test, certify and procure state-of-the-art aviation security equipment. These projects are piloting U.S. technologies at India's largest airports and training aviation officials on how to detect security threats.

These efforts present a significant opportunity for U.S. industry to provide India with the solutions necessary to meet its aviation security needs and achieve internationally recognized standards. They will also support further growth in India's rapidly expanding aviation market and deepen economic ties between the world's oldest and largest democracies.

The India ACP is crucial to the success of these efforts as, like the rest of USTDA's public-private partnerships, it provides access to key stakeholders, helps foster long-term relationships and strengthens bilateral trade ties – all of which are in the economic and security interests of the United States.

Level the Playing Field for U.S. Firms Competing in International Tenders

The U.S. government is frequently called on to take action to help its overseas partners open their markets to U.S. business and foster a fair, level playing field. We at USTDA pride ourselves on our ability to respond to requests like these with flexibility that can meet the needs of the market and with expertise that can address challenges.

We have heard from several of our stakeholders that one of the greatest impediments to sustainable development in our partner countries – and the one of greatest hindrances to U.S. companies trying to enter new markets – is procurement systems that do not take into account the value of products over time. Many countries rely on least-cost procurement policies to govern their selection and award procedures. Our private sector partners report that these policies do not provide a level playing field, which often impedes competition for U.S. industry.

The reliance on lowest price as the determining factor for award discounts high-quality, high-value equipment and comprehensive maintenance agreements. While these elements may increase the initial investment, they actually lower the total cost of ownership and provide the best value for the project sponsor over the life of the project.

In response to this challenge, USTDA launched the Global Procurement Initiative: Understanding Best Value (GPI) to educate public officials on value-based procurement methodologies, including life-cycle cost analysis, total cost of ownership and cost savings over time. We develop GPI activities in collaboration with globally recognized public procurement advisors from the George Washington University Law School, our technical partner. The World Bank and all of the multilateral development banks also serve as GPI collaborators to ensure there is parity across procurement systems.

One of our first partner countries under the GPI was Vietnam, which recently revised its national procurement law to include an increased focus on value for money. USTDA has sponsored three GPI workshops and an orientation visit that have trained over 180 public procurement officials. USTDA intends to continue its partnership with Vietnam by providing procurement advisory services in the energy and information technology sectors.

The GPI responds to Vietnam's – and other emerging markets' – efforts to develop infrastructure projects in an efficient and sustainable manner, while at the same time answering U.S. industry's call to level the playing field for greater international competition. By helping developing and middle-income countries establish fair, transparent rules of the road, we are helping to ensure future markets for American exports.

USTDA's Economic Impact

Consistent with its mission, USTDA's primary strategic goal is to create U.S. jobs by increasing exports of U.S. goods and services for projects that promote sustainable development and economic growth in our partner countries. In Fiscal Year 2014 alone, the Agency identified \$5.8 billion of new exports, which have helped to support approximately 33,000 jobs in the United States.⁶

The Agency's programs provide opportunities for U.S. companies of all sizes. USTDA particularly relies on small businesses, drawing extensively on the expertise of consulting and engineering firms, to provide independent technical and financial analysis during the critical early stages of a project's definition. In fact, in FY 2014, over 60% of the Agency's direct contracts were awarded to small businesses – far surpassing the Small Business Administration's goal for federal agencies to award at least 23% of their procurements to small businesses.⁷

USTDA's project planning and partnership building activities also create opportunities for U.S. businesses to succeed abroad by highlighting their technical expertise to global customers. As an illustration, USTDA partnered with The Ford Meter Box Company, a private, family-owned business based in Wabash, Indiana with manufacturing plants in Wabash and Pell City, Alabama. Despite their concerted efforts to expand sales of their water metering technology in Vietnam, the company faced several challenges reaching this growing market until they participated in a

⁶ Chris Rasmussen and Martin Johnson, *Jobs Supported by Exports 2014: An Update*, Office of Trade and Economic Analysis, International Trade Administration, Department of Commerce, March 4, 2015, available at http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_005406.pdf, last accessed May 2015.

⁷ U.S. Small Business Administration, *Strategic Plan Fiscal Years 2011–2016*, http://www.sba.gov/sites/default/files/serv_strategic_plan_2010-2016.pdf, last accessed May 2015.

USTDA-funded reverse trade mission, which provided access to key decision-makers from Vietnam's water industry.

During the visit, representatives from Ford Meter Box were able to demonstrate their pioneering line of waterworks equipment and explain how U.S. water distributors employ the company's products throughout their operations. This visit served as a springboard for Ford Meter Box to increase its exports to Vietnam and establish long-lasting business relationships. As the Vice President at Ford Meter Box said, "Being a manufacturer located in small rural Indiana and Alabama communities, exporting our products overseas is important to building long-term opportunities for both of our factories. The strong support by USTDA in educating international customers on U.S. technologies, such as those used in the U.S. water supply industry, positively affects the many families in our communities that benefit from jobs generated when supplying our products to new international markets."

USTDA's Focus on Results

USTDA's effectiveness is demonstrated by the fact that its programs are now generating more U.S. exports per program dollar than at any other time in the Agency's history: \$76 of exports for every dollar programmed, up from \$41 just five years ago. The Agency's success is a result of its rigorous evidence-based decision-making processes. USTDA evaluates its program tools on a continuous basis to determine their overall effectiveness and responsiveness to U.S. industry, U.S. government policy priorities and emerging market needs.

USTDA's Program Evaluations Office monitors project development once USTDA-funded activities are completed to document the linkage between the activities and the project outcomes. The Office measures the U.S. content – defined as goods manufactured in the United States or services provided by U.S. citizens – of a commercial sale resulting from a USTDA-funded activity. They then use the data to calculate the Agency's *export multiplier*, the dollar amount of exports generated per USTDA program dollar obligated, as well as its *total cumulative exports*, the amount of exports associated with USTDA funding in any given time period.

During its annual strategic planning, USTDA combines its internal evaluations data with additional comparative factors – including Gross Domestic Product (GDP) per capita, World Bank income rankings, the International Monetary Fund's GDP growth projections, total U.S. exports, and the top five industry sectors for exports for each country – in order to prioritize countries and sectors for Agency funding. This strategic planning process, which engages the full participation of the Agency's staff, has helped foster a results-oriented culture at USTDA. This is evidenced by the fact that USTDA was ranked the Top Small/Independent Agency

Across All Indices in the 2014 Federal Employee Viewpoint Survey.⁸ In the survey, 100% of USTDA respondents indicated that they believe the Agency is successful at accomplishing its mission.

Conclusion

As noted by CSIS, USTDA has the “unique ability to leverage its assets in a multitude of ways: to strengthen the domestic economy, continue international development priorities, and serve diplomatic interests in emerging markets around the world.”⁹ USTDA accomplishes this by making impressive use of a relatively small budget – the Agency’s current export multiplier of \$76 in exports for every \$1 programmed, the highest in USTDA history, speaks for itself. In a time when results are more important than ever, the Agency is producing its best results. USTDA provides a demonstrable return on taxpayer investments while simultaneously supporting the engines of American job creation – thus helping to ensure that the nation’s future is one of economic growth, opportunity and security.

⁸ Office of Personnel Management, *2014 Federal Employee Viewpoint Survey*, available at: <http://www.fedview.opm.gov/>, last accessed May 2015.

⁹ CSIS, *USTDA: Good Value for Development Dollars*.