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WHAT HAS OPIC DONE FOR SMALL BUSINESS LATELY?

HEARING

BEFORE THE

SUBCOMMITTEE ON
TAX, FINANCE, AND EXPORTS

OF THE

COMMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

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WHAT HAS OPIC DONE FOR SMALL BUSINESS LATELY?

TUESDAY, MAY 18, 1999

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TAX, FINANCE, AND EXPORTS,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Subcommittee met, pursuant to call, at 3:03 p.m., in room 311, Cannon House Office Building, Hon. Donald A. Manzullo (Chairman of the Subcommittee) presiding.

Chairman MANZULLO. The Subcommittee will come to order. Today, the Subcommittee will open its trade agenda by examining the Overseas Private Investment Corporation or OPIC. OPIC is not an oil cartel, but it is a small specialized agency with a narrow focused mission helping to protect U.S. foreign investment abroad that contributes to job growth in this country. Over the years, OPIC has been unfairly attacked as an agency that helps only large Fortune 500 companies. We are here today to specifically examine that charge and to learn more of the efforts of OPIC to reach out to more small businesses.

Just a few years ago, only 10 percent of small businesses exported. Now, about 25 percent of small businesses have entered the export arena. The next step in their growth is developing more of an overseas presence. OPIC can play a crucial role in protecting foreign investments of small business exporters from political risk.

Unlike larger companies, small business exporters cannot pack up their bags and relocate operations overseas to take advantage of foreign equivalents to OPIC. There are 36 nations that have programs similar to OPIC. Just like OPIC, most of these nations have local content requirements. If forced to, large U.S. multinational corporations can pick and choose from various foreign government export credit insurance programs. But the work and the jobs, then, are transferred overseas. Small business exporters do not have this luxury. OPIC is needed to maintain the competitive edge of these small business exporters in the United States. OPIC does all this at no cost to the taxpayer. That is good news in light of the vote that is coming up in about 2 hours today.

Last year, OPIC brought in a net of $139 million for the U.S. Treasury from insurance premiums and fees charged to exporting companies for their services. Next year, OPIC projects to bring in $204 million. I wish more U.S. Government agencies could copy OPIC's example. This Thursday, I plan to introduce the Export Enhancement Act of 1999 along with my good friends, Mr. Menendez of New Jersey, and the Chairman and Ranking Minority Member

of the International Relations Committee, Mr. Gilman, and Mr. Gejdenson. This legislation would reauthorize OPIC for 4 years.

After listening to the witnesses here today, I invite all of my colleagues on the Subcommittee to consider cosponsoring this bipartisan legislation.

The votes don't start in the House until 6:00 this evening so we are hoping that we may be joined by other Members as they find their way back to Washington.

Our first witness is George Munoz who served as president and CEO of OPIC since the summer of 1997. Prior to taking that position, he was chief financial officer of the U.S. Treasury Department from 1993 to 1997. Most of his career has been in international law and business as a partner in the law firm of Mayer, Brown and Platt in Chicago, and was a principal with former senator Adlai Stevenson in an investment banking firm focused on international transactions. He also headed his own law firm concentrating in corporate and international business. He holds several college degrees, including a J.D. and a master's in public policy, a master of law and taxation, and a business degree from the University of Texas in Austin. In addition, he is a CPA.

We are not only pleased, George, but we are blessed that you have taken a leave of absence from the private sector to lend your expertise to Overseas Private Investment Corporation. It is with pleasure that we ask you to be our first witness today.

[Mr. Manzullo's statement may be found in the appendix.]

STATEMENT OF THE HONORABLE GEORGE MUNOZ, PRESIDENT AND CEO, OVERSEAS PRIVATE INVESTMENT CORPORATION, WASHINGTON, DC

Mr. MUNOZ. Thank you, Mr. Chairman.

Thank you very much for allowing me to come and testify today. I would like to applaud your leadership and the work of this whole Subcommittee, especially as it focuses on small business. I am especially pleased to see a stellar group of small businesses represented here, Mr. Chairman, that are cutting the path into the international arena that all businesses are leading into.

OPIC, as you know, Mr. Chairman, was established 28 years ago by President Richard Nixon and Congress to mobilize American private capital and to support the growth of developing countries and economies that are in transition to democracies and free markets. In today's global economy, OPIC's mission is more important than ever. OPIC is an investment in helping America compete, supporting development and stability in strategic regions around the world, and encouraging government that operates at no net cost to the American taxpayer.

To continue OPIC's work, Mr. Chairman, we are very pleased that you as well as other leaders of this Congress are introducing the Export Enhancement Act of 1999, which we certainly hope will receive broad bipartisan support.

A key to the growth of our economy is because of small business. The commitment of this Subcommittee to small business is one I strongly share. When I became president of the Overseas Private Investment Corporation, I said that helping small business would be one of my top priorities. I made this pledge for one simple rea-

son: the growth of the U.S. economy and the growth of individual businesses are increasingly linked to their ability to expand overseas in emerging markets. Our competitive strength is directly connected to our ability to compete in the global marketplace.

I also made this commitment because I share your concern that America's small businesses must not be left behind in this globalization process. Although small businesses are the backbone of the American economy, the overseas investment potential for this small business sector remains relatively untapped.

According to the 1998 National Export Strategy Report, for example, less than 13 percent of small- and medium-sized manufacturers are active exporters, and even fewer make profitable investments overseas. The report cited the lack of access to financing and the lack of information as the two principal reasons for this gap.

I am pleased to report to you today that OPIC is not just talking about small businesses, but we are acting to ensure that small businesses have the information and the resources they need to compete. We are building on OPIC's excellent track record in promoting U.S. interests, creating American jobs, and operating on a self-sustaining basis at no net cost to the taxpayer.

How can we help small businesses? First, our political risk insurance offers three types of coverages for overseas investment:

Inconvertibility insurance, for example, covers the inability to convert local currency into U.S. dollars and assures the transfer of currency out of a host country.

Our expropriation insurance covers the uncompensated taking of insured investments by a foreign government.

And our political violence insurance covers damages to physical assets as well as lost income due to interruption of operations.

For a small business looking to invest overseas, political risk insurance helps to ease the uncertainty of this challenge; or it may be a critical step in the process of securing project financing. OPIC also offers financing through direct loans for small businesses.

I am pleased to let you know that we have declared 1999 the "Year Of Small Business" at OPIC. This designation will help us focus OPIC's attention on building on our solid record of helping small businesses. This determination to help small businesses is reflected throughout OPIC.

Let me highlight some of the ways OPIC has changed to meet the needs of small business. We have reduced our loan size from $2 million to $250,000 to better address the needs of small businesses and created a new loan structure that is more user friendly. OPIC's Contractors' and Exporters' Insurance Program is available for small businesses acting as contractors in international construction, sales, or service contracts.

Our Contractor's Finance Program provides an OPIC guarantee for bid bonds, performance bonds and other guarantees issued by U.S. financial institutions on behalf of U.S. contractors.

We streamline the application process for small businesses and reduce red tape. For example, our insurance application went from 20 pages down to 5 pages for small businesses.

We are increasing the number of our small business insurance customers by launching a small business incentive program to encourage insurance brokers to bring small businesses to OPIC.

We have refocused our educational efforts to increase OPIC's outreach activities. Last year, approximately 30 percent of OPIC-assisted projects were with small businesses, and we are working hard to increase this percentage.

We have created a small business advocacy team which is composed of knowledgeable OPIC staff—some of whom are here with me today, Mr. Chairman. This team will help small businesses to take advantage of OPIC products and services.

We have also established a hotline that offers a direct telephone number for small- and medium-sized enterprises interested in obtaining more information about OPIC's special services.

Furthermore, OPIC's award-winning Internet web site contains a user-friendly small business page that is accessible to small businesses throughout the country.

We have also created new educational materials targeted to small businesses. Some of this material has been provided to you, Mr. Chairman, and to the rest of the Committee.

In addition, we are working with State and local officials, because they provide a key link to small businesses interested in overseas investment. We have held small business meetings and seminars in 11 states.

OPIC is also working with other trade agencies, small business organizations, and State and local trade commerce officials to ensure that small businesses are aware of the products and services that are available at OPIC. I would like to add Mr. Chairman, that this week I will be visiting the district of one of your Subcommittee colleagues, Mrs. Napolitano, to promote our activities in the small business area.

Finding the financial and personnel resources to make an overseas investment on their own is a challenge for many small businesses, but many can benefit from investment by larger U.S. firms supported by OPIC. For example, larger companies often turn to U.S. small businesses for products and services to support an overseas project.

We are very impressed, Mr. Chairman, that you have found it important to invite to this panel one such supplier to one of our projects. An important component of OPIC's small businesses outreach program is to identify the small business suppliers which are contributing to OPIC-assisted projects throughout the world. This outreach provides suppliers with an opportunity to learn more about their contribution to OPIC projects and to utilize this opportunity to provide information about OPIC products.

Doing business in today's global economy can be challenging for small businesses. But done right, taking advantage of promising opportunities in international trade and investment offers tremendous opportunities for growth.

OPIC is ready, willing, and able to help America's small businesses.

Thank you, Mr. Chairman, for helping us get that word out through this hearing. I would be happy to answer any questions after the conclusion of the panel.

[Mr. Munoz' statement may be found in the appendix.]

Chairman MANZULLO. Thank you, Mr. Munoz.

We are joined by Congresswoman Napolitano and Congressman Toomey.

Do you have an opening statement or any opening remarks you wanted to make?

Ms. NAPOLITANO. Thank you.

Just that I am very happy that OPIC is joining us in the trade conference. This is our fifth trade conference, and certainly, we want California to have the benefit of OPIC's financial assistance in the risk insurance. I intend to do my best to help put the information to small business that OPIC exists.

Chairman MANZULLO. Mr. Toomey.

Mr. TOOMEY. Thank you, Mr. Chairman.

I just had a question on just reading through some of the narrative introduction.

Chairman MANZULLO. Just for opening statements.

Mr. TOOMEY. Oh, okay. I have no opening statement.

Chairman MANZULLO. That is okay.

Our next witness is Jane Marie Dauffenbach. She is president of Aquarius Systems in North Prairie, Wisconsin. This company has been involved in designing and manufacturing of surface water management equipment including aquatic plant harvesters, vegetation cutters, floating excavators, et cetera. You have to excuse me.

I have glasses with four different types of lenses and I still can't read. Just forgive me. Once I get the right alignment here, I will be fine. She is responsible for directing operations, planning, and general management of corporation and, particularly, the aquarius division with the completion of a new plant last year that provided a top quality facility to manufacture some new special equipment.

And we welcome you here to Washington. Please proceed.

STATEMENT OF JANE DAUFFENBACH, PRESIDENT, AQUARIUS SYSTEMS, NORTH PRAIRIE, WI

Ms. DAUFFENBACH. Mr. Chairman and Members of the Committee, thank you for inviting me to appear before you today.

I understand that there are larger issues to be considered, but I am going to speak to you from a personal perspective on OPIC's success with a small exporting company.

As you said, for 35 years our company has designed, manufactured, and sold aquatic plant management equipment used for weed control in lakes, rivers, ports, harbors and even oceans where kelp is harvested as a commercial crop. Weed control is necessary to make an infested water body usable for transportation and recreation. Excessive weed growth also negatively impacts fisheries and the natural balance of the waterway.

The water management equipment line includes, as you mentioned, aquatic plant harvesters and shredding boats that chop up dense overgrown areas. We also have machines that pick up floating trash and garbage, and a floating excavator. Although our primary business is to manufacture and sell equipment, we have occasionally taken on contract service projects.

Last July we were awarded a World Bank contract which is a turnkey project in Kenyan Lake Victoria. We are to supply the equipment, personnel, and management to chop 3,700 acres of the exotic weed called water hyacinth. The weed floats around in giant

masses and closes off entire harbors for weeks, months, or years at a time. Its presence has severely impacted the fishing that the locals depend on for food and employment. Because it is an exotic weed, it is also impacting the natural environment of the lake.

There is no question that exporting is important to our business. Between 15 and 45 percent of our annual sales in any given year might be for exports. And this could be in Europe, Asia, Latin America, the Middle East, or Africa. We go wherever our equipment is needed.

We have dealt with some difficult issues that have impeded our ability to export. This includes financial assistance that was provided to our foreign competitors by their own governments. This assistance wasn't equal to programs like export financing or OPIC political risk insurance but far exceeded these trading tools.

For example, when competing for business a few years ago in the Middle East, the Dutch government ruined one deal by providing free equipment to the customer that was copied from us and built by a Dutch company. More recently, in the Far East, we were outcompeted on a large equipment sale when the Canadian government supplied a free harvesting machine as a gift to the king, which was built by a Canadian competitor.

Our company is in no position to give away free equipment in the hopes of getting an order. Yet not only are our foreign competitors well supported in their export efforts, they are being fully subsidized by their governments.

Another example occurred within the last 12 months on our Kenya project. Negotiations had been moving slowly and with a lot of frustrations on both sides. In the meantime, an Asian government came and viewed the lake and offered equipment and financing for the whole program. And there have been overtures from other foreign governments. Situations like this are not uncommon, and occur almost annually. Simply put, Aquarius Systems is not competing with foreign companies; we are competing with foreign governments.

It is difficult out there, and especially before we found out about the commercial services offered by the Department of Commerce, the International Trade Administration and the products and services from OPIC and the Ex-Im Bank. It was only about 2 years ago that we became aware of the activities of these agencies and started using them in our efforts to promote our export sales.

Up until then, the way we used to do things was reactionary. A representative from another country would come to us with a potential job. Now with the tools provided by OPIC and the Ex-Im Bank, the International Trade Administration, et cetera, we are in a better position to go out and initiate business than ever before. And we are always trying to think of new ways to use these programs.

We learned about OPIC during a visit to the Department of Commerce in Washington. We were already aware of the Export-Import Bank, but we did not know that OPIC had insurance and financing products available until then. We came to discuss an Asian project that did not come to fruition. But a year later when the Kenyan tender came out, we immediately contacted OPIC to inquire about

their political risk insurance so that we could budget the premium into our quotation.

We would never have considered trying for this business in Africa without the participation of OPIC. American banks in general are conservative but even more so in the Midwest. When we told our bankers we won the Kenyan bid, they were very pleased; but they were also very uncomfortable about the idea of our sending equipment over to an African country for 12 months or longer. It was certainly not a typical transaction for us or our bank. Although they were unfamiliar with OPIC at first, once they understood the political risk coverages we intended to purchase, they proceeded to finance our needs.

Another factor with using OPIC on this transaction is that we had the security that our government is behind us. This is going to be very helpful should a dispute arise. It also will help us to maintain proper transparency and give us some muscle to push through the bureaucratic impediments that might arise. We are sure if an issue comes up in the next 12 months, our position is going to be taken more seriously now that it is known that our government is watching and ready to assist.

OPIC is an excellent example of a government initiative that works well. It provides real value to clients and is a fiscally responsible entity that returns income to the Treasury. It also is a bit of a secret to many exporters. I would suggest more promotional efforts going forward, not only to small- and medium-size businesses, but to the small- and medium-size banks who service these exporters.

Every day we are down there working in the trenches trying to make good business around the world. We don't ask for much, but we need a level playing field. If companies like ours are given half a chance, we will continue to successfully manufacture and export our American-built equipment.

It is imperative that the financing and insurance programs from OPIC exist so that we have the necessary tools available to accomplish this. I am sure I speak for most exporters when I say we will gladly continue to pay the premiums and interest for these financial products and services.

In conclusion, some of the benefits to Aquarius Systems from working with OPIC include:

One, the political-risk protection so we can get the financing for our contract.

Two, the perception from our client that the U.S. Government is behind us.

Three, a more level playing field to compete.

Fourth, while we aren't supplying free equipment and money like some other countries have offered, we have secured the chance to perform and prove to the customer the best decision was made.

And if all goes well, we expect to increase our export sales in all tropical countries from the positive exposure that the single contract will bring to us.

Thank you.

Chairman MANZULLO. Thank you. I am going to, unless there is any objection from members of the panel, make all of the statements a part of the record, including these photographs.

Ms. DAUFFENBACH. Okay.

Chairman MANZULLO. When you are talking about weeds, you are talking about weeds. That is on top of a body of water; isn't it?

Ms. DAUFFENBACH. It is amazing. That is the Florida Everglades. We were testing that machine there last week, and I do have some Kenyan pictures I can give you that will really stun you.

Chairman MANZULLO. We can get to that in the question and answer period shortly. Thank you.

[Ms. Dauffenbach's statement may be found in the appendix.]

Chairman MANZULLO. Our next witness is V.V. Raj—I am going to call you Raj, if that is okay.

Mr. RAJADHYAKSHA. That is good enough.

Chairman MANZULLO. That is going to have to be good enough.

Chairman and CEO of Dodson-Lindblom International out of Columbus, Ohio. Raj received his bachelor's degree in civil engineering from the Indian Institute of Technology in Bombay in 1967. He came to the United States on a scholarship from the University of Cincinnati where he received his master's degree in civil engineering.

He is a registered professional engineer in several states. He began his career with G.K. Jewell and Associates, the geotechnical engineering consulting firm, and has been involved in all types of projects in various areas of the world.

Under his direction Dodson-Lindblom grew with the acquisition of Mason-de Verteuil Geotechnical Services in January of 1984, and now is chairman and CEO. He is currently involved in buying small hydroelectric power projects in India with the governments of various provinces within India itself.

It is with pleasure that we welcome you here to Washington. When the red light goes on, that is the point where we would like you to wind up your testimony.

Raj, thank you for coming here.

STATEMENT OF VIKRAM V. RAJADHYAKSHA, CHAIRMAN, DLZ, COLUMBUS, OH

Mr. RAJADHYAKSHA. Mr. Chairman, thank you for giving me the opportunity and Members of the Subcommittee.

My name is Vikram V. Rajadhyaksha better known as Raj, and I am the chairman of the DLZ based in Columbus, which is the parent of Dodson-Lindblom.

I am an immigrant from India. I arrived in this country with a scholarship while getting a master's degree in civil engineering at the University of Cincinnati in 1967. I have lived—I became a U.S. citizen in 1972. I have lived in this country for the past 32 years and have been chairman and chief executive officer of DLZ or its subsidiary company, Dodson-Lindblom Associates for the past 20 years.

I bought Dodson-Lindblom Associates in 1979 when it had five employees. I currently employ 670 in the States of Ohio, Michigan, and Indiana. My businesses are a product of one of your congressional programs, the Small Business Administration's Section 8(a) Program. I was admitted to the Small Business Administration's Section 8(a) Program in 1980 and graduated from the program in

1984. But that small stint laid the groundwork for what is now the DLZ corporation. So thank you very much.

Five years ago, I started looking into international ventures and very quickly concluded that simply providing the type of consulting engineering and architectural services that we provide in the United States would get us nowhere in the international market. Thereafter, I decided to enter into the Indian market as a developer of hydroelectric energy projects. At this point in time, the Indian government had opened the market for private firms to develop hydroprojects.

Since entering the field, it was obvious to me that the hydroelectric business was a very capital-intensive business, and I would have to raise a substantial amount of funds both in the form of equity in the project and in the form of debt. After much research, it quickly became apparent that the Overseas Private Investment Corporation was the only agency that was active in the financing of energy projects, and more importantly, they seemed to have at least a small portion of the debt in every energy project that was done by a U.S. developer everywhere in the world.

It did not take much analysis to understand the reason for this simple fact, energy projects are obviously long-term investments in areas of the world that are politically unstable, and OPIC being present in these projects provides the good faith and the facilities of the U.S. Government on every project. This not only provides a great deal of comfort to other leaders on the project but also to the equity providers.

Having done this homework, we approached OPIC concerning our work in India. Ms. Ruth Harkin was president of OPIC at the time, and low and behold, she advised me that there was some grant money available for businesses such as ours as seed money for our India venture. Subsequently, we were granted a $100,000 grant by OPIC through their EPA grants program to get started on our India venture.

Just recently, on May 6, after completing all the formalities required, we closed on our OPIC loan of $5 million for our first hydroelectric project in India. The project, known as the Bhandardara hydroelectric Power Project, is located about 150 kilometers north and east of Bombay at the toe of an irrigation dam that produces power when water is released for irrigation purposes.

The total project is $13.3 million, out of which OPIC is lending $5 million. The Indian Renewable Energy Development Agency is lending another $5 million and the City of Detroit Policemen and Firemen Retirement System is providing $3.3 million in equity funding.

The project will generate 47 million units of power annually. This will serve about—this will be adequate to serve a city of about 10,000 in India.

OPIC will also provide risk insurance that will protect the equity funding and this is provided by Detroit Policemen and Firemen Retirement System. I can assure the Subcommittee that this venture would not have occurred without OPIC's participation in the project.

We have been awarded 22 small hydroelectric projects that we expect to be working concurrently. While it has been obvious to us

that this project would not have happened without OPIC being a participant in it, this does not mean that working with OPIC has been easy. My experience with OPIC has taught me that OPIC's mindset is focused on large energy developers, such as Enron, and working with large international contractors such as Bechtel.

I have found their tolerance level is low for working with small businesses such as ours. One of the biggest problems I have had in working with OPIC has been the amount of legal documentation that is required for our project financing. To give you some idea, a $10 million debt financing has cost us over $1 million in legal fees, not counting our internal corporate counsel's time and effort.

Here are a few suggestions I would like to make to this Subcommittee so that OPIC and small businesses can work together:

One, OPIC should advise the small business of what documents are required for them to be able to make the loan and also be aware ahead of time how long it will take to put these documents together and most importantly the cost involved.

OPIC should have more grant money that can be made available to small businessmen to investigate international projects.

In conclusion, I can assure you, as a small businessman who has come through the Small Business Administration's 8(a) Program, that OPIC is a very needed agency that it is not corporate welfare. And it is one that provides the good faith and the credit of the U.S. Government in international projects done by Americans.

Without such backing of the U.S. Government, no projects would be occurring; and certainly not the project in which I am involved. I would suggest that OPIC and the SBA, two great organizations in my mind, work together so that the small businessman is given every opportunity to succeed and project financing is made readily available.

Thank you.

Chairman MANZULLO. Thank you very much.

[Mr. Rajadhyaksha's statement may be found in the appendix.]

Chairman MANZULLO. Our next witness is William Silverman who is director of the First Republic Corporation and a member of the law firm of Otterbourg, Steindler, Houston & Rosen P.C. in New York City.

Mr. Silverman comes from New York and was admitted to the bar in 1966. He went to Brown University and New York University Law School. He is a member of the U.S. Office of Personnel Management Panel for Interviewing Candidates for Federal Administrative Law Judges; a member of the Panel of the American Arbitration Association; and a member of the Association of the Bar of the City Of New York, Committee on Bankruptcy and Corporate Reorganization.

It is with pleasure that we welcome you to Washington this afternoon, Mr. Silverman. Please.

STATEMENT OF WILLIAM M. SILVERMAN, FIRST REPUBLIC CORPORATION OF AMERICA, NEW YORK, NY

Mr. SILVERMAN. Thank you, Mr. Chairman. It is a pleasure to be before this Subcommittee on such a beautiful day.

I hope the sun isn't glinting too much off the top of my head and affecting the vision of the Members of the Committee.

Chairman MANZULLO. We can close the curtains if——

Mr. SILVERMAN. It is affecting you then.

Chairman MANZULLO. But you really are quite splendid with that sunshine. That is very encouraging for us.

Mr. SILVERMAN. Many are called, but few are chosen, Mr. Chairman.

I wanted to thank you and the Members of the Committee for the opportunity to evaluate the very significant benefits of OPIC for small business. I think, frankly, OPIC is a success story. And it is a story that is part of the really greatness of our system, the free enterprise system. And the fact that a small business or series of small businesses can come in and speak to this Subcommittee says a great deal about our process, and I know that we are all thankful for that.

The First Republic Corporation of America has a 5.6 million loan from the Overseas Private Investment Corporation. We knew of OPIC's overseas work on behalf of U.S. business, and we contacted OPIC because First Republic is a public company with real estate, textile and seafood interests.

Our seafood interest, which we have spoken to OPIC about, involve clamming in the Great South Bay in Long Island where we have 13,000 acres of land under cultivation, and we ship clams all over the United States. If you have clams on Fisherman's Wharf, they probably come at, least some of them, from our clamming grounds in the Great South Bay.

We also have a very large scallop farming and production business in the State of Florida, in southern Florida. And we have a business that grows and distributes shrimp. And that business is primarily based in Ecuador where we have approximately 1,250 acres of land under cultivation.

Ecuador basically has three cash crops. They have petroleum, bananas, and seafood and the runoff of pesticides and herbicides from the banana growers impacted the shrimp growers. It impacted our shrimp farm, and the shrimp became ill and developed something called Taura Syndrome which is now all over Latin America. It is in Texas and it really is a worldwide problem and, in part, it is caused by pollution.

What our system did was find a response to the pollution by enclosing our shrimp farm in a way that is environmentally friendly. And, actually to the extent that we put anything back into the environment, it is cleaner and purer than when it went into the system.

OPIC has been our partner in developing and perfecting the system. They have given us the benefits of access to government and nongovernmental aquaculture agencies in Ecuador, in Thailand, and in other Third World nations. We found our reception at OPI—although we are a small company, they treated us, frankly, as if we were a Fortune 500 company.

We had a tremendous success in helping our colleagues in Ecuador understand our system. OPIC opened the doors for us. It helped us—OPIC helped us make the system work more efficiently and introduced us to expertise that, frankly, was of tremendous benefit to us. We found the people that we worked with at OPIC courteous, professional, and a treat to deal with.

Jim Polan and Elena Gonzalez were particularly good to work with. We found them to be extremely efficient, and I think without OPIC, we would not have the success that we do. We are in the process now of exporting this technology which is environmental technology to the Third World, to Thailand, to Ecuador, and we hope to be able to do that with our colleagues from OPIC.

And again, thank you for the opportunity of speaking with you.

Chairman MANZULLO. Thank you.

[Mr. Silverman's statement may be found in the appendix.]

Chairman MANZULLO. Our next witness is Bill Herbert, who is a sales manager with Johnson March Systems, Inc., out of Warminster, Pennsylvania, and we want to thank you for coming this afternoon and welcome you to Washington, Bill.

STATEMENT OF BILL HERBERT, SALES MANAGER, JOHNSON MARCH SYSTEMS, INC., WARMINSTER, PA

Mr. HERBERT. Mr. Chairman, Committee Members, thank you very much for the opportunity to appear before you.

My role today is a little bit different than some of the other attendees in the sense that whereas Johnson March does not have a direct contract or direct assistance from OPIC, we are a contractor and a supplier to many companies that do enjoy the benefits of your programs and that are able to secure contracts as a result of your efforts.

Just very briefly, our company is approximately 50 employees. Our annual sales are approximately $12 million. All of our facilities, manufacturing plant and office, are located in Bucks County, Pennsylvania. It is a suburb of Philadelphia.

Our company designs and manufactures custom engineered products for electric power plants and petrochemical plants. The products are utilized for water treatment and chemical process dosing and for air pollution control. In the late 1970s, Johnson March concentrated its selling efforts in the domestic market, building a customer base and reputation with clients and the engineering firms that design their plants.

In the early 1990s, the domestic market for Johnson March products began to change very significantly as a result of lower increase in demand for electrical power and the fact that we have not built a new refinery in the United States in 20 years. So prospects for growth in our particular products in the domestic market were not very bright. But the opportunity for our products overseas was growing very rapidly due to the large demand for electric power and for the consequential demand for petroleum products.

Within a matter of 6 to 7 years, the percentage of our sales to the international market went from 20 percent up to about 75 to 80 percent last year. And during this time period, Johnson March has shipped millions of dollars worth of products overseas every year.

A major factor in the transition from the domestic market to the international market was the success of U.S. plant developers, U.S. engineering firms, and U.S. contractors in securing international projects.

The success of the U.S. firms is directly related to the support provided by OPIC and Ex-Im Bank agencies. Contracts won by U.S.

companies provide a direct benefit for small companies like Johnson March.

As a systems manufacturer, we in turn purchase millions of dollars worth of U.S. manufactured products that are the subcomponents of our systems. These include computers, electronic analyzers, structural steel, valves, piping, pumps, et cetera. When U.S. companies secure large international contracts through the support of OPIC, the benefits are realized by many small companies that otherwise would not be able to survive and grow.

Johnson March has had experiences with foreign companies where they wanted to buy our products and our design and technology. But they could not do so because that project was financed by the governments of their country, and they were contractually obligated to buy from suppliers in their country. U.S. companies benefit when the U.S. Government supports U.S. company efforts.

There is no doubt that without the success of OPIC supporting U.S. developers, engineering firms, and contractors, Johnson March would have fewer employees; and this would also be true for our suppliers. All indications are that the electric power generation and the refinery petrochemical markets outside of the U.S. will grow at substantially higher rates than the U.S. markets for many years to come.

Developing countries require increased electrical generation capacity and, as they develop, these countries increase their demand for oil, gas, coal, and hydrocarbon-based products. U.S. manufacturers are respected worldwide for their superior technology, their high efficiency, and their competitive pricing.

The international market is there ready for participation by small business, but most small companies rely upon U.S. developers as a key to the market. OPIC and Ex-Im Bank support is vital to the success of U.S. companies and the huge number of small firms that are dependent upon them.

Johnson March completely supports the efforts of OPIC and hopes that those involved in OPIC's reauthorization realize how very important it is for the strength of the economy, the U.S. balance of payments and American jobs.

Thank you again for your time and continued support. I will be pleased to answer questions if you have some. Thank you.

Chairman MANZULLO. We appreciate your statement.

[Mr. Herbert's statement may be found in the appendix.]

Chairman MANZULLO. At the same time, we are joined by Congressman Phil English from the State of Pennsylvania.

Our next witness is Peter Bowe, president of Ellicott International out of Baltimore, speaking on behalf of Small Business Exporters Association. Peter.

STATEMENT OF PETER A. BOWE, PRESIDENT, ELLICOTT INTERNATIONAL, BALTIMORE, MD, ON BEHALF OF THE SMALL BUSINESS EXPORTERS ASSOCIATION

Mr. BOWE. Thank you, Mr. Chairman.

I have submitted some written remarks which are slightly different from my oral comments in terms of what I am going to emphasize. I am also speaking on behalf of my company, Ellicott Machine directly.

Ellicott International has exported dredging equipment for over a hundred years to dozens of countries worldwide for ports, harbors, mining and everywhere that marine construction is involved. Over half of our business every year is exported.

The Small Business Exporters Association represents a wide segment of American exporters. We believe that exports are essential to our economy, essential to the jobs of millions of American workers, and a prerequisite to a healthy economic growth rate.

We stand together in support of OPIC. At least one quarter of our net job growth over the last 6 years can be directly attributed to exports. At Ellicott, our employment was up over 25 percent during that period, all attributable to exports.

All industrialized nations, especially the OECD member countries, are looking to exports for their economic growth. Our principal competitors all provide substantial assistance to their exporters—far more than the U.S., according to almost any measurement.

The Small Business Exporters Association has compiled several analyses showing how much more our competitors support exports than we do. I am speaking for companies and workers who compete in the real world of global competition, not as we might like it to be, not according to economic models, but as it really is. In the real world, we need programs like OPIC, Ex-Im Bank, the Trade Development Agency, and the Advocacy Center of the Commerce Department to compete and win.

Before I turn to the story of how Ellicott has used OPIC, let me make three general points about OPIC. First, it is essential to developing countries and especially the big emerging markets designated by the Commerce Department. Prudent investment is facilitated by guarantees and insurance to provide some protection to overseas assets, especially when private insurance is often not available or available only with unacceptable conditions.

Second, when American companies invest overseas, they rely substantially on American exporters for their equipment needs. As much as one-fourth of all U.S. exports go to foreign subsidiaries of U.S. companies, so it is in our interest to increase foreign investment. Americans used to complain the Japanese auto assembly plants in the U.S. relied on parts exports from Japanese suppliers to the detriment of local American suppliers. The same phenomenon is true in reverse to our benefit with U.S. companies' foreign subsidiaries.

Third, OPIC is financially self-sufficient and does not rely on taxes. It is investors like—it is exporters like Ellicott and investors, not the taxpayers, who pay for OPIC.

Now let me take a moment to describe several specific ways that OPIC has helped Ellicott sell dredges worldwide in competition with some of Europe's biggest industrial conglomerates. One of our competitors is a German company called Krupp which is still known for having built battleships and munitions in World War I and World War II. This helps to remind me that the global marketplace commercially is still a lot like warfare. Krupp today, despite its $15 billion size, gets all kinds of financing, support, and subsidies from the German Government, not to mention trade advocacy directly by their Chancellor.

OPIC has a special program which is of great interest to small exporters and the members of the SBEA. Sales to foreign governments usually require bank guarantees as performance bonds. These bank guarantees are subject to arbitrary treatment by the buying country.

As Mr. Munoz has mentioned, OPIC has a program to insure such bank guarantees against wrongful taking. The comfort which comes from this insurance induces many American exporters, small or large, to bid on projects they would otherwise avoid.

OPIC's prestige goes a long way towards assuring that foreign governments treat American exporters fairly. Thus the status of OPIC as a U.S. government agency, in many cases, prevents any loss at all to OPIC from inappropriate foreign government actions where a private insurance company would have no such political standing. We have used this program in several countries.

Recently OPIC intervened to help solve a problem in Egypt. We had been unsuccessful through 3 years of negotiation in getting a performance bond returned. When OPIC decided to attend a TDA investor conference in Cairo last fall, we asked OPIC to get involved. And they jumped in with both feet.

OPIC's Sr. Vice President, Kirk Robertson, took a personal interest to see that a fair and proper resolution was achieved. OPIC contacted the Egyptian entity and let them know the importance of returning the bank guarantee and that failure to do so could affect U.S. investment in Egypt. The Egyptian government and our customer responded immediately.

The bottom line is that Ellicott reached an acceptable agreement because of OPIC and that OPIC earned tens of thousands of dollars of premiums insuring our guarantees during the life of the project. The results were achieved with just a couple of letters delivered by the U.S. Embassy to indicate their official status. It was a textbook example of how wrongful call insurance was supposed to work.

I strongly doubt that a private sector insurer could have had the clout with the Egyptian government to achieve the same result. In the interest of time, I will mention that we also have been successful in selling to American investors overseas.

Here is a picture of a dredge that went to Venezuela for Guardian Industries of Michigan which is building a sand mining plant.

I think I will just conclude there, and I would be happy to answer any further questions you might have.

Chairman MANZULLO. Thank you very much.

[Mr. Bowe's statement may be found in the appendix.]

Chairman MANZULLO. What an interesting group of witnesses and real life stories of what is going on in international business geared toward small business.

Mr. TOOMEY, I want to start the questions with you. If we could watch the five minute clock here.

Mr. TOOMEY. Mr. Munoz, thank you.

I was wondering could you just explain to me briefly the difference between the mission of OPIC versus Ex-Im Bank?

Mr. MUNOZ. Yes, sir. I would be more than happy to.

We are both sister agencies and we work hand-in-hand. Where Ex-Im leaves off, OPIC takes over. Most U.S. companies can be quick to export as long as there is a demand for those exports.

History has shown that once you have been good at international business by exporting, the next logical step may very well be to make an investment in the country. Once a company goes from exporting to investing in a country, the rules of the game change. Assessments of risk and of the political situation change completely. Even the financing structures for that investment take on a whole different aspect.

This is when OPIC takes over for a company which is investing in a foreign country. OPIC and Ex-Im Bank relationships continue, however. Once they have made an investment overseas, many of the companies will continue to export repeatedly to that same foreign investment.

So we work together, but we really deal in entirely different kinds of risk assessment, financing structures, and collateral. I would like to give you an example. I come from Chicago, and there are many, many companies there that are very good at exporting. And they have very good, strong relationships with their banks. But once they decide to cross the border and go overseas, their banks may draw the line, saying, since we cannot take over the plant as collateral—the power plant in India is one example—we are not interested in financing such a transaction. This creates a difficult financing situation.

Not all those banks they deal with domestically, for example, may be available for an investment in a foreign country. Therefore that same small business would need a different line of players from the financing-side and from the political assessment-side.

Mr. TOOMEY. As I understand it, the primary services you provide are long-term financing and political-risk insurance.

Mr. MUNOZ. That is correct.

Mr. TOOMEY. I was just wondering if you could comment briefly perhaps on the criteria you used before getting involved in either of those activities.

For instance and specifically, maybe you could answer whether a corporation needs to be turned down by a private sector institution first before you will approach, or whether that is not necessarily part of the criterion. And if—whether or not it is, how do you price risks that the private sector refuses to take?

Mr. MUNOZ. Yes, sir.

Let me just add to my previous response that Ex-Im in any one year can do over a thousand, if not thousands of transactions, and OPIC, in any one year, may do something in the vicinity of 50 to 60 projects because OPIC and Ex-Im have entirely different missions.

When a request for insurance comes to OPIC, for example, we distribute information to let the client know who the private insurers are in a particular industry so that if there is private insurance available, the company can tap the private sector first. Because our products are very different from private sector services, many investments require long-term insurance—sometimes 15 years, sometimes as long as 20 years of coverage.

When OPIC issues an insurance contract, that contract is issued with full assurances that it will not be terminated at any time during the insurance period. The same cannot be said of the private sector; but we do point to the private sector first. While they are

not required to submit exact letters of refusal, our standard procedure requests that clients tap the private sector first.

With respect to our criteria that we use, we apply criteria mandated by Congress covering four areas.

Number one, we want to make sure the project does not do substantial harm to the environment. This is mandated by statute and we make sure that the project will not do that.

Number two, we want to make sure the project does not violate international worker rights according to our statute.

Number three, we want to make sure the project will not harm the U.S. economy. We have an internal working guideline at OPIC that if a project were to take jobs away from the United States, such as a plant which closes down in the U.S. and opens up elsewhere, we would not support that.

And then lastly, an OPIC-supported project must be a project that is only done by the private sector and is commercially viable. That is, it is not a government project but a private-sector-driven project that has commercial viability behind it.

Mr. TOOMEY. I noticed that there is a summary of an income statement provided in the package.

[OPIC's 1998 Annual Report may be found in the appendix.]

Mr. TOOMEY. I didn't—I didn't notice a balance sheet. I noticed somewhere there was a reference to about $18 billion in financing and political risk insurance. I am just wondering approximately what's the size of the reserve fund?

Mr. MUNOZ. OPIC maintains approximately $3.3 billion of reserves.

Mr. TOOMEY. Thank you very much.

Chairman MANZULLO. Congresswoman Napolitano.

Ms. NAPOLITANO. Thank you, Mr. Chairman.

Mr. Munoz, there is a slew of questions that I would love to ask. It would take all afternoon to ask. But I will start off with one of the statements that was made here by one of the panel members was, that it takes a long time and it is very intricate for small business and it is very expensive to be able to go through the whole process.

Could you tell me what can be done to assist small business through that myriad. Can you cut the time down? Are you tailoring more to small business rather than to the large business? I say that tongue in cheek because big business can take care of themselves. They can afford the lawyers. They can have all kinds of things at their disposal where small business has to pay for them with funds that they don't have and makes it a little harder.

And the legal documentation, of course, is a necessity, and I am certain that part of it has to do with the fact that you have to have an agreement with the country that you are doing business in.

Mr. MUNOZ. Madam Congresswoman, I think you stated exactly the right reasons as to why things can take a longer time.

Let me first say that we are making progress. Every new small business transaction that we do we learn from. We try to streamline the process the next time around, and I have to say that all of the employees at OPIC are very energized and very desirous of working closely with small businesses. But having said that, many countries do not have a clear rule of law, do not have processes and

procedures that are always easy to work with, and we must work within these restrictions.

At the end of the day while we may be financing or insuring a project, we have to make sure that if something goes wrong with the project and OPIC is required to step in to help salvage the project, we must have all the rights under local country laws that are consistent with our treaty with that country, as well as their laws. This, unfortunately, is more complicated than any domestic business transaction.

Ms. NAPOLITANO. Is that the main reason?

Mr. MUNOZ. That is one of the primary reasons, Congresswoman.

I would say, however, that we do learn in every project that we process and I think that we are getting better at it. I would have to say that there are many banks in this country who just throw up their hands and they just refuse to get involved because of the complications, but we will be there standing beside small business.

Ms. NAPOLITANO. Which brings me to that second question and that is to the marketing of your services to small business and to education of the bank's services for assistance in doing their work, how is that coming? Are you having success? What outreach are you doing?

Mr. MUNOZ. We are doing some outreach. I would like to remind this Subcommittee that we have only about 215 employees at OPIC, of whom I am very proud, because the performance level is beyond belief——

Ms. NAPOLITANO. With a budget of?

Mr. MUNOZ [continuing]. That 215 employees can do as good a job as they do monitoring all the programs and doing all the projects that we have. And given the limited number of people we employ, we still do outreach programs. We do try to go to different seminars and conferences that take place in the international business arena.

I think that the advent of the Internet has helped us tremendously. We have a web site which has been recognized as one of the best web sites on the Internet, whether private or public. And we have a specific page there for small businesses. We are getting a lot of good responses from that.

We also have teamed up with Ex-Im and the Department of Commerce and other agencies that are working with small business. And we have reached out to the SBA. I think those are the best ways to do our outreach.

Ms. NAPOLITANO. I may suggest you might try doing some video work for cable as informational, so you may be able to get that out. We used that effectively in California.

The fact that everybody indicates a job growth potential because of the assistance in reaching other international markets, I have been involved with that for several years. So I know the real value in that. What would you say would be the job growth wage range for these new job potentials?

Anybody?

Because we hear a lot from labor we are losing jobs because of NAFTA and all the other agreements, yet we hear from business that there are jobs potential that are reaching.

Mr. BOWE. Madam Congresswoman, my company is unionized with a steelworkers. It is somewhat unusual. Our steelworkers endorsed NAFTA because they know that virtually all of our products are exported. I don't know how much NAFTA has affected us in particular, but certainly exports are generating middle-class jobs, jobs——

Ms. NAPOLITANO. Wage range?

Mr. BOWE. Our guys make up in the mid-50s in the thousands of dollars a year with overtime. Right now, we have got vacancies, and people are working 6 and 7 days a week. And I don't think there is anybody that feels threatened by our export activities in terms of job loss.

Ms. NAPOLITANO. Anybody else?

Mr. RAJADHYAKSHA. Congresswoman, we are in the engineering business and we—all these projects that we have in India, we are designing them in Columbus, Ohio. And that has created about 20 jobs in my company in Columbus, all in the range of $50,000 to $100,000 a year, specifically geared up to this international effort that we are going.

Ms. NAPOLITANO. Thank you, gentlemen. You have made my point.

And I wish that you would talk to Labor and talk to them about how important it is for them to understand the reality of some of those jobs. Thank you.

Chairman MANZULLO. Thank you. Mr. English?

Mr. ENGLISH. Mr. Chairman, thank you for the opportunity.

I simply wanted to follow up on something Mr. Bowe had said and would like to have the president comment on it. I find that any of the people who criticize OPIC as corporate welfare, know comparatively little about what American companies are up against in terms of the incentives provided to their competitors to encourage purchase, incentives provided in the form of lines of credit provided by competing governments to potential customers.

I wonder if the panel would comment on that in a little more detail than Mr. Bowe provided. How many of our competitors provide similar or more expansive programs and incentives to encourage the purchase of their domestic goods?

Mr. BOWE. Let me give you sort of a brief survey of some things I am aware of. Dredges can be considered, in some cases, vessels, in smaller cases not.

Our two primary competitors are Dutch and German. The Germans have spent a lot of money to support what they consider to be shipbuilding. There are special financing programs which include a subsidized low interest rate loan. By low, I mean, zero, 3 percent, stuff like that, to developing market countries like India and China, Indonesia, and then so they are giving the money cheaply to the buyer to buy. And then on the seller's side, there are special subsidies. There is a general shipbuilding subsidy up to 9 percent of vessel cost throughout Europe. The Germans have a 30 percent subsidy for yards in the former eastern Europe.

In the case of Holland, they have special financing, sort of an AID type program, they call it ORET. To give you an example, our Dutch competitor on a trade mission in China last month led by a Dutch minister signed $100 million worth of deals all of which

involve special financing from the Dutch government. So it is pretty heavy duty support.

And within that, the trickle stuff like, you know, special grants for training, technological orientation, it is very extensive, and it is both for heavy industry and for things that would be considered to have a technological component.

Mr. MUNOZ. I would like to add we have made our own survey, and all of our counterparts from the G–7 have programs that go beyond what the United States provides to its private sector. And this makes it very difficult for the business community from what we know.

What OPIC does is to try to promote transparent rules of fair play. The fact of the matter is that there are not always transparent rules of fair play. In our private sector community, I am sure that once the rules come even close to being level, we will win in any competition.

OPIC's support for many of these overseas investments tries to at least advocate from the American side that these rules of fair play be put in place. It is not an easy job. Many of our private sector companies are not involved in international business precisely because of the disadvantages which still exist.

Mr. ENGLISH. Would you be willing to make your survey available to the Subcommittee.

Mr. MUNOZ. Yes, sir.

Mr. ENGLISH. So that it can be included in our report.

And, Mr. Chairman, I would like it to be included in the testimony today if possible when we receive it.

[The information may be found in the appendix.]

Chairman MANZULLO. Without objection, of course.

Mr. ENGLISH. Thank you. And I yield back the balance of my time.

Chairman MANZULLO. Thank you.

I am intrigued with this dredging going on here. Now, we have Miss Dauffenbach who is big into eliminating weeds.

Ms. DAUFFENBACH. Right. That is different from dredging, yes.

Chairman MANZULLO. And Mr. Bowe, you actually make the vessels that are used for dredging. But as I went through your CV, Miss Dauffenbach, you are a member of the Bass Angler Sportsman Society. Now there is somebody who really likes water.

Ms. DAUFFENBACH. Oh, yes. Yes. They suddenly are getting political. A lot of people use our equipment instead of using aquatic herbicides. They find that herbicides are not environmentally friendly. So the Bass Angler's Sportsmen's Society is suddenly putting their weight behind the mechanical approach to weed control.

Chairman MANZULLO. That really leads into my question because as I listen to your testimony, a couple of things came out. Number one is that you created a market that did not exist before.

Ms. DAUFFENBACH.That is right.

Chairman MANZULLO. And the second thing is that the brutal competition from the Dutch and other of our allies——

Ms. DAUFFENBACH. Canadians, yeah.

Chairman MANZULLO. Could you explain the mechanics of the insurance that you got with OPIC. Walk us through it.

Ms. DAUFFENBACH. As Peter mentioned before, we had to put up guarantees, unconditional bank guarantees, one to cover the down payment that the Kenyans are paying us and one as a performance bond. And we were concerned about wrongful calling.

Depending on what the political situation in the country you are working in may be, you don't know if something doesn't go right if they are going to make a wrongful call on that unconditional bank guaranty. Because it is unconditional, there are no questions asked. They call on it, and they get paid.

Our bank was quite concerned about that; as were we. So we knew from the start that we needed to have some sort of insurance or something to protect us in case there was a wrongful calling made.

As I understand, OPIC will go in and argue and demand lots of——

Chairman MANZULLO. Assurances.

Ms. DAUFFENBACH. Support, yes, as to why that calling was made. And that gave us a great amount of security knowing that someone is going to advocate for us.

Chairman MANZULLO. How did you find out about OPIC?

Ms. DAUFFENBACH. Two years ago, I was working on a project in Asia. We were trying to develop something before the economy there went to pieces. And we were looking to offer some financing through Ex-Im Bank to our customer. It was a large project, so the Department of Commerce also sent us to OPIC to see what financing products were available.

As a result, we originally were working with OPIC on an Asian project that never developed. A year later when the opportunity to quote in Kenya came up, I remembered our discussions with the OPIC people. We called them up right away to see what sort of insurance they had.

Another insurance product that we are getting is dispute insurance. If we have a dispute with our client in Kenya, and if we can prove that we are right and they are wrong, then the insurance will kick in.

Chairman MANZULLO. So OPIC doesn't just sit around and wait for a loss to occur.

Ms. DAUFFENBACH. No, they fight hard.

Chairman MANZULLO. They fight the battles with you right on the scene with the foreign government.

Ms. DAUFFENBACH. It probably is why they have such a great record in losses.

I imagine they don't give up much.

Mr. MUNOZ. Mr. Chairman, if I could just add to that: our recovery rate for expropriation, for example, is approximately 100 percent. Over time, we will recover the losses, even if we had to pay claims to an American investor. This is because we have the staying power and we have the ability to call on foreign governments.

Mr. Chairman, you may remember one of your Committee hearings about a year and a half to 2 years ago where you had Monique Maddy present, and she gave a stellar presentation of how a small business went to Tanzania and brought telecommunications to that country.

OPIC not only sells insurance and financing, but equally important, OPIC stands by these investments. That is why, unlike the thousands of purely export transactions that Ex-Im does, we are partners in many ways with our projects and investments.

For the record, I would like to submit an update on Ms. Maddy's presentation, which I know, Mr. Chairman, you were very interested in. Monique Maddy continues to be a small business investor in Tanzania, and is looking at other opportunities. The project that she had in Tanzania has run into some governmental difficulties. Although our insurance doesn't require that we step in and try to help them resolve their disputes, it is OPIC's practice, as has been stated here, to come in and advocate on our client's behalf. As we are currently working through those difficulties, Ms. Maddy stays very much optimistic about opportunities overseas.

Ms. Maddy's investment offers an example of something that can look good on one day and cloudy the next, but in the long term, it is in America's best interest to be involved in the international business arena. And our agency is determined to make this a positive experience for American investors.

Chairman MANZULLO. I don't mean to pick on you, but one other person mentioned about the foreign competition. Who else did that on the panel?

You did. Peter, did you want to comment on that? And also Miss Dauffenbach.

Well, tell us what the foreign companies did when they found out you were interested in this project.

Ms. DAUFFENBACH. Each situation is different. We really have troubles with the Canadians. That has been a pain for——

Chairman MANZULLO. I am going to Canada on Thursday as part of the U.S.-Canadian parliamentary exchange.

Ms. DAUFFENBACH. They do a lot to help their companies. And, like I said, they actually gave free equipment away. They bought it from our competitor and gave it away as a gift. I know it has happened more than one time.

Another thing the Canadian government does is make allowances for prototype and development or something along those lines, where they actually subsidize their manufacturers for making engineering changes. So if we are fortunate enough to find ourselves specified in a tender, and the Canadians have to meet our specs, they can come in cheaper than us because they get a kickback from their government to make up the difference of what they call research and development. And that is very frustrating.

Chairman MANZULLO. Peter, did you want to follow up on that?

Mr. BOWE. I think the biggest challenge we have is special financing that is initiated by our foreign competition. This is more along the lines of Ex-Im Bank-type competitors rather than OPIC activity. As I mentioned, the case of the Germans and the Dutch, the Japanese do the same thing where they come in with long-term, 30-, 40-year type financing with very low interest rate.

I was just in China a month ago with Secretary Daley on his trade mission. And we had the opportunity to hear a number of ministers, and their first comments to Secretary Daley were always that if Ex-Im was more aggressive, American companies would sell more in China.

And, of course, with respect to OPIC, there is, you know, the sanctions question. But, I mean, we see that around the world that our competition initiates special financing, and Ex-Im Bank is playing a game of matching with the end objective of trying to eliminate this policy all together.

Whereas, our competition considers it to be acceptable that in the normal course of business, that you are supposed to buy business with cheap financing, and then you gain market share and that enables you, essentially, to subsidize the competition in the free-market areas like in the United States, for example.

Chairman MANZULLO. Peter, I was intrigued with your statement that approximately one-third of U.S. exports go to U.S. companies that have an overseas presence. Could you elaborate on that?

Mr. BOWE. I don't know, off hand, the source of where I read this. I could find it for you. But the theory is that you have American multinationals, whether it is Ford, Chrysler, IBM, people like that, FMC Corporation, have operations around the world. I can tell you about our example, this company Guardian is a glass-making company.

They have a glass manufacturing plant in Venezuela. And glass uses sand; sand is mined with a dredge. Kerr-McGee Corporation, Oklahoma, makes paint pigment in Australia. They bought our equipment for a plant in Australia. They go where the natural resource is located. And they bought from us. That is a type of examples as it relates to us.

Chairman MANZULLO. And that is really what, Bill, you were talking about. You don't directly deal with OPIC, but a lot of larger companies to which you supply your product deal with OPIC.

Mr. HERBERT. Yes, it is——

Chairman MANZULLO. Small and large companies.

Mr. HERBERT. It is really hard to imagine how extensive the ramifications are. But, for example, a large developer, I heard Enron's name mentioned today, they have been a customer of ours for a long time, but as a general rule if they are developing a power plant, we don't deal directly with Enron. The first thing they have to do is hire an architectural engineering company in the United States. That is several hundreds of people whose salaries are being paid by the project. And those engineering companies provide services such as issuing the request for quotes and evaluating the bids, issuing the purchase orders.

And we are only one subsupplier on the project. But they are buying equipment. Now, it is true that they source—the larger these companies get, the more they have the ability to source from an international standpoint. But we have found that we have no trouble with that in the sense that we are price competitive. Our technology is good. And we can provide the after-market service for them and everything because I have agents in many foreign countries. But the fact that an American developer can win the contract starts a whole series of events, all of which generate jobs and income and balance of trade benefits to the United States.

So when you hear about a company getting an award, it is not even the tip of the iceberg if you are trying to figure out or you are trying to see, at that moment, how important that contract award is to an American company. It is very, very important. And

the ramifications go in a lot of different directions, not just equipment people, but bank people and computer people and a lot of areas, multitiered.

Chairman MANZULLO. Go ahead. I am sorry.

Your company is only 50 employees. Is that correct?

Mr. HERBERT. Yes.

Chairman MANZULLO. And how many of those employees are directly related to exports now?

Mr. HERBERT. Well, virtually all of us. Because what happens is, I mean, we have our own manufacturing shop. And so our people that are in that area are working on projects. They may be domestic or they may be international projects. It depends on what their particular skill is, whether it is welding or wiring or calibration or that sort of thing.

Every one of our projects is assigned a project engineering manager. So that means we have mechanical, chemical, electrical, civil engineers on our staff. They run their contracts. Then we have designer drafting people because we have to do all the detail engineering and submit all the documentation.

We happen to have an ISO 9001 Q A program, which means we have a lot of forms and documents that we have to follow to meet the requirements of the international community as far as quality assurance is concerned.

So when you are a company of 50 people, we all interrelate, we are all in the same building. And we work on various projects. And a particular person may not know, for example, out in our shop whether he is welding something for a project in Turkey or whether he is welding it for somebody in another part of our state.

So it is really not possible. All of us work on international, whether you are in sales or you are in fabrication or engineering.

Chairman MANZULLO. Well, we appreciate all of you testifying this afternoon. OPIC is, as you know, it is a very unique government agency. There are over 10,000 government programs.

Peter is shaking his head over there. He probably knows every single one. But one of those that we have found that has a very close working relationship with its customers is OPIC based upon, I believe, the integrity of Mr. Munoz who has been in charge of the program for the last couple of years. But also based upon the fact that this government program really doesn't just write a check for or on behalf of companies but actually goes to battle with them, first to secure the agreements, then, second, to protect them.

And, one of the unknown stories, that would be appropriate for another hearing, is how Mr. Munoz eventually gets all of his money back, especially from countries that broke off relations with the United States, such as Vietnam, but then when they come back into wanting our good graces again, somebody shows up with a bill and the country has to pay the bill. That is why OPIC gets paid back nearly 100 percent.

And that is why really there is not an opportunity to answer Mr. Toomey's question for the private sector to get involved to the extent, not only in the amount of money that is being capitalized but also in the power and the strength of the U.S. Government standing behind our exporters.

So, again, we thank you for spending this afternoon with us in Washington. This meeting is adjourned.

[Whereupon, at 4:24 p.m., the subcommittee was adjourned.]

APPENDIX

REMARKS OF CHAIRMAN DONALD A. MANZULLO
BEFORE THE SUBCOMMITTEE ON TAX, FINANCE, AND EXPORTS

"WHAT HAS OPIC DONE FOR SMALL BUSINESS LATELY?"

May 18, 1999

The Subcommittee will come to order. Today, the Subcommittee will open its trade agenda by examining the Overseas Private Investment Corporation or OPIC. No, it's not an oil cartel but a small, specialized agency with a narrow, focused mission – helping to protect U.S. foreign investment abroad that contributes to job growth in this country.

Over the years, OPIC has been unfairly attacked as an agency that helps only large, Fortune 500 companies. We are here today to specifically examine that charge and to learn more of the efforts of OPIC to reach out to more small businesses. Just a few years ago, only 10 percent of small businesses exported. Now, about 25 percent of small businesses have entered the export arena. The next step in their growth is developing more of an overseas presence. OPIC can play a crucial role in protecting foreign investments of small business exporters from political risk.

Unlike larger companies, small business exporters cannot pack up their bags and relocate operations overseas to take advantage of foreign equivalents to OPIC. There are 36 nations that have programs similar to OPIC. Just like OPIC, most of these nations have local content requirements. If forced to, large U.S. multinational corporations can pick and choose from various foreign government export credit insurance programs. But the work and the jobs, then, are transferred overseas. Small business exporters do not have this luxury. OPIC is needed to maintain the competitive edge of these small business exporters in the United States.

OPIC does all this at no cost to the taxpayer. Last year, OPIC brought in a net $139 million for the US Treasury from insurance premiums and fees charged to exporting companies for their services. Next year, OPIC projects to bring in $204 million. I wish more U.S. government agencies could copy OPIC's example.

This Thursday, I plan to introduce the *"Export Enhancement Act of 1999"* along with my good friends, Mr. Menendez of New Jersey and the Chairman and ranking minority Member of the International Relations Committee, Mr. Gilman and Mr. Gejdenson. This legislation would reauthorize OPIC for four years. After listening to the witnesses here today, I invite all my colleagues on the Subcommittee to consider cosponsoring this bipartisan legislation.

I yield to any other Member seeking recognition for the purposes of an opening statement.

Tax, Finance & Exports Subcommittee

May 18, 1999 Hearing
Overseas Private Investment Companies (OPIC)

STATEMENT

by: Representative Carolyn McCarthy

Thank you Mr. Chairman for scheduling a hearing on the impact the Overseas Private Investment Company (OPIC) has on small businesses. I would also like to thank our panel of witnesses for taking time out of their busy schedules to testify before this subcommittee on this matter.

As a self-sustaining, independent U.S. government entity, OPIC has generated substantial earnings through efficient business-like operations. By charging market-based fees and interest for its services, OPIC has not only created a positive cashflow to the treasury, but also helped small U.S. business ventures succeed in the global economy. All of this has been achieved without incurring net costs. Instead, they produced a net income of $139 million in 1998 and increased its reserves to $3.3 billion.

In an era where small businesses are looking to global markets to expand and remain competitive, OPIC has been the vehicle to take them there. Their ability to promote economic growth in developing countries has helped America compete overseas while supporting stability. By reducing or eliminating certain perceived political risks for investors and providing financial assistance not otherwise available, OPIC helps reduce the unusual risks and problems that would otherwise hinder investment opportunities in developing countries.

OPIC-backed projects have generated over 200,000 U.S. jobs and $68 billion in exports. Over 55,000 of these jobs were created by New York projects. On Long Island, NY numerous businesses within my district have reaped the benefits attainable through OPIC. Expansion of a business, as well as the drive to remain competitive, have long lasting impacts on a surrounding community because of the jobs they create. By providing the incentive to invest overseas, OPIC has evolved into a catalyst that promotes economic growth.

Small businesses are key to economic growth and development both home and abroad. OPIC is a proven tool that helps businesses both large and small compete in the global economy.

I thank the Chairman for recognizing the importance of this Corporation and look forward to the testimony from our witnesses.

STATEMENT OF GEORGE MUÑOZ
PRESIDENT AND CHIEF EXECUTIVE OFFICER
OVERSEAS PRIVATE INVESTMENT CORPORATION
BEFORE THE
SUBCOMMITTEE ON TAX, FINANCE AND EXPORTS
COMMITTEE ON SMALL BUSINESS
U.S. HOUSE OF REPRESENTATIVES
MAY 18, 1999

Mr. Chairman and members of the Subcommittee on Tax, Finance and Exports. Let me first thank you for the opportunity to testify here today and let me also applaud you, Mr. Chairman, for your leadership on behalf of small business. This hearing is just the latest example of your commitment to helping America's small business remain competitive and strong.

OPIC was established 28 years ago by President Richard Nixon and Congress to mobilize American private capital to support the growth of developing countries and economies that are in transition to democracies and free markets. In today's global economy, OPIC's mission is more important than ever. Today, OPIC is an investment in:

- Helping America compete;
- Supporting development and stability in strategic regions around the world; and
- Encouraging government that operates at no net cost to the American taxpayer.

To continue its work, the Administration is requesting of Congress a reauthorization of OPIC for four years. OPIC's current authorization will expire September 30, 1999. Support of OPIC's four-year reauthorization will ensure OPIC's continued support of U.S. private sector activities that advance U.S. foreign policy and development goals, and contribute to our own economy.

A key part of the growth of our economy is because of small business. The commitment of this subcommittee to small business is one I strongly share. When I became the president of the Overseas Private Investment Corporation a year and a half ago, I said that helping small business would be one of my top priorities. I made this pledge for one simple reason: the growth of the U.S. economy and the growth of individual businesses are increasingly linked to the ability to expand overseas in emerging markets. Our competitive strength is directly connected to our ability to compete in the global marketplace.

I also made this commitment because I share your concern that America's small businesses must not be left behind in this globalization process. Although small businesses are the backbone of the American economy, the overseas investment potential of this small business sector remains relatively untapped.

According to the 1998 National Export Strategy Report, less than 13 percent of all small- and medium-sized manufacturers were active exporters and even fewer make profitable investments overseas. The report cited the lack of access to financing and the lack of information as the two principal causes of this "gap."

I am pleased to report to you today that OPIC is not just talking about small business—we are acting to ensure that small businesses have the information and the resources they need to compete overseas. We are building on OPIC's excellent track record in promoting U.S. interests, creating American jobs, and operating on a self-sustaining basis at no net cost to taxpayers. Since 1971 OPIC has supported $121 billion in U.S. investments that are expected to generate $58.5 billion in U.S. exports and create more than 237,000 U.S. jobs.

How can we help small businesses? First, our political risk insurance offers three types of coverage for overseas investments:

----inconvertibility covers the inability to convert local currency into U.S. dollars and the transfer of currency out of a host country;

----expropriation covers the uncompensated taking of insured investments by a foreign government; and

----political violence coverage for damages to physical assets as well as lost income due to interruption of operations.

For a small business looking to invest overseas, political risk insurance helps to ease the uncertainty of this challenge or it may be a critical step in the process of securing project financing. OPIC also offers financing through direct loans for small businesses.

I am pleased to let you know that we have declared 1999 as the "Year of Small Business" at OPIC. This designation will help us to focus OPIC's attention on building on this solid record of helping small businesses. This determination to help small business is reflected throughout OPIC. Let me highlight some of the ways OPIC has changed to meet the needs of small business:

* We have reduced our loan size from $2 million to $250,000 to better address the needs of small business and created a new loan structure that is more user friendly.

* OPIC's contractors' and exporters' insurance program is available for small businesses acting as contractors in international construction, sales, or services contracts.

* Our contractors' finance program provides an OPIC guaranty for bid bonds, performance bonds, and other guaranties issues by U.S. financial institutions on behalf of U.S. contractors.

* We streamlined the application process for small businesses and reduced red tape. For example, our insurance application went from 20 pages down to 5 pages for small businesses.

* To increase our small business insurance customers, we recently launched a small business incentive program for insurance brokers who bring small business to OPIC.

* We have refocused our educational efforts and increased OPIC's outreach activities. Last year, almost 30 percent of OPIC-assisted projects were small businesses. But we are working hard to increase this effort.

* We have created a Small Business Advocacy Team which is composed of knowledgeable members of the OPIC staff who will help small businesses take advantage of OPIC products and support.

* OPIC's new Small Business Hotline—202-336-8610—offers a direct telephone number for small- and medium-sized enterprises interested in obtaining more information about the special services OPIC provides.

* OPIC's award winning web site at www.opic.gov contains a user-friendly small business page which is accessible to small businesses throughout the country.

* We have new educational materials targeted to small business.

* We are working with state and local officials because they provide a key link with small businesses interested in overseas investment. We've held small business meetings and seminars in eleven states.

OPIC is also working with the other trade agencies, small business organizations, and state and local trade and commerce officials to ensure that small businesses are aware of the products, services and advice available at OPIC. We have held or participated in seminars, forums, and conferences throughout the U.S. which are focused on increasing awareness by small businesses of the opportunities for overseas investment and how OPIC can assist them.

Finding the financial and personnel resources to make an overseas investment on their own is a challenge for many small businesses. But many can benefit from investment by larger U.S. firms supported by OPIC. For example, larger companies often turn to small U.S. businesses for products and services to support an overseas project. An important component in OPIC's small business outreach program is to identify the small business suppliers who are contributing to OPIC-assisted projects throughout the world. This outreach provides suppliers with an opportunity to learn more about their contribution to OPIC's projects and to utilize this opportunity to provide information about OPIC's products.

Doing business in today's global economy can be challenging for small business. But done right, taking advantage of promising opportunities in international trade and investment offer promising opportunities for growth.

OPIC is ready, willing and able to help America's small businesses. Thank you for helping us get that word out through this hearing.

To Apply for OPIC Insurance

Registration

Small business investors must register projects before the investment is made. Registration is free of charge, valid for two years, and may be renewed.

Application

The next step is to submit a Small Business Insurance Application. Prior to project review, a retainer fee must be paid.

Letters of Interest

To help small businesses secure financing or investments, a letter of interest may be available to registered applicants whose projects meet OPIC's eligibility and policy requirements.

To Apply for OPIC Finance

Application

The sponsor of a potential project interested in obtaining financing must submit a Small Business Application for Financing. Legal documentation requirements vary from case to case.

Business Plan

Applicants must submit a business plan including:

- general description of the project
- background and financial statements of the project's owners and management
- sources of supply, output, markets, distribution channels, competition, and the basis for projecting market share
- project costs and a financing plan.

OPIC's Small Business HotLine

To learn more

about how OPIC can help small business,

call the

Small Business Hotline:

202-336-8610

OPIC's Web Site

For information and documents

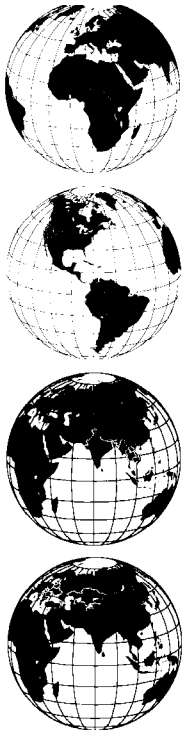
via the Internet:

www.opic.gov

OPIC is a self-sustaining federal agency that sells investment services to small, medium, and large American businesses. Since 1971, OPIC has supported $121 billion worth of investments that will generate $58 billion in U.S. exports and create more than 237,000 American jobs.

Overseas Private Investment Corporation
1100 New York Avenue, N.W., Washington, D.C. 20527

OPIC and Small Business



The Overseas Private Investment Corporation's

Programs for Small Business

OPIC is committed to helping America's small businesses grow through investments in emerging markets around the world.

U.S. companies with annual revenues less than $250 million are eligible for OPIC's small business programs.

Small business projects eligible for OPIC support include:

- new investments, privatizations, expansions, modernizations
- formation of a new branch office, sales office, or service center
- warehousing or small assembly operations
- contracting to provide construction, advisory or technical assistance services, and exporting equipment.

OPIC will not support projects that could result in the loss of U.S. jobs, adversely affect the environment, or contribute to worker rights violations.

OPIC programs are available in over 140 developing nations and emerging markets.

Insurance

For small businesses investing in overseas projects, OPIC insurance can cover three political risks:

Currency Inconvertibility
Deterioration in the investor's ability to convert profits, debt service, and other investment returns from local currency into U.S. dollars and to transfer those U.S. dollars out of the host country.

Expropriation
Loss of an investment due to expropriation, nationalization, or confiscation by the host government.

Political Violence
Loss of assets or income due to war, revolution, insurrection, or politically motivated civil strife, terrorism, and sabotage.

Small Business Contract
Designed to provide simplified, streamlined coverage. Quarterly elections of coverage are available to small businesses to provide maximum flexibility. Small businesses get a 25% reduction on retainer fees and do not have to pay any standby fees.

Contractors' and Exporters' Insurance

OPIC's Contractors' and Exporters' insurance program is available for small businesses acting as contractors in international construction, sales, or service contracts.

Finance

OPIC offers two types of direct loans for projects involving U.S. small businesses or cooperatives.

Corporate Finance Direct Loan
Available to fund overseas investment including permanent working capital, fixed assets, and expansion of facilities.

The minimum loan amount is $250,000 for a term of typically 3 - 7 years. Terms are determined on a case-by-case basis.

This product is expressly intended to provide support for creditworthy U.S. companies wishing to make investments overseas when the investment is not intended to be the sole source of repayment.

Project Finance Direct Loan
Available for U.S. small businesses to fund overseas investment in expansion facilities, permanent working capital, and fixed assets.

The minimum loan amount is $250,000 and the loan term is typically 3 - 15 years. Terms are determined on a case-by-case basis.

For this type of loan, OPIC would look for repayment from the cash flows generated by the project.

Contractors' Finance Program
Provides an OPIC guaranty for bid bonds, performance bonds, and other guaranties issued by U.S. financial institutions on behalf of U.S. contractors who have operational and financial track records.

OPIC Highlights

1999 - OPIC's Year of Small Business

OPIC and Small Business

OPIC is committed to helping America's small- and medium-sized businesses grow through investments in emerging markets around the world.

Here are twelve ways OPIC has re-positioned its staff and modified its procedures for loans and political risk insurance to meet the needs of small business:

Bringing OPIC Closer to Small Businesses

- Small Business Advocacy Team: Knowledgeable members of OPIC staff have been assigned to a new Small Business Advocacy Team in order to help small businesses take advantage of OPIC products and support.
- Small Business Hotline: A direct telephone number for small- and medium-sized enterprises interested in obtaining more information about the special services OPIC provides.
- Small Business Web Page: Visit OPIC's web site at www.opic.gov and click on the Small Business link.
- "How to" Materials: OPIC provides a newly updated series of "how to" materials targeted to small business.
- City and State Outreach: OPIC has increased its outreach efforts. The latest additions include small business meetings and seminars in eleven states and a California State Small Business Pilot Program.

Small Business Loans

- Loan Structure: New small business loan structures are in place for small businesses.
- Loan Size: The standard minimum loan size has been reduced for small businesses from $2 million to only $250,000.
- Less Red Tape: Loan procedures for small businesses have been streamlined and their consideration will be expedited.

Insuring Small Business against Political Risks

- "Quick Cover" Insurance: OPIC can offer a two week turn-around to small businesses investing in certain sectors not likely to harm the environment or the U.S. economy.
- Special fees: Two other incentives for small businesses and their brokers are the increased brokerage fees and discounted insurance fees OPIC is able to offer just for small businesses.
- Simplified Application: OPIC offers special simplified insurance applications for small businesses.
- Streamlined Contract: OPIC offers a contract with special terms which helps reduce premium costs for small businesses.

OPIC is a self-sustaining federal agency that sells investment services to small, medium and large American businesses expanding into some 140 developing nations and emerging markets around the world. OPIC's political risk insurance, project finance and investment funds fill a commercial void, create a level playing field for U.S. businesses and support development in emerging economies. Since 1971, OPIC has supported $121 billion worth of investments that will generate $58 billion in U.S. exports and create more than 237,000 American jobs.

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OVERSEAS PRIVATE INVESTMENT CORPORATION

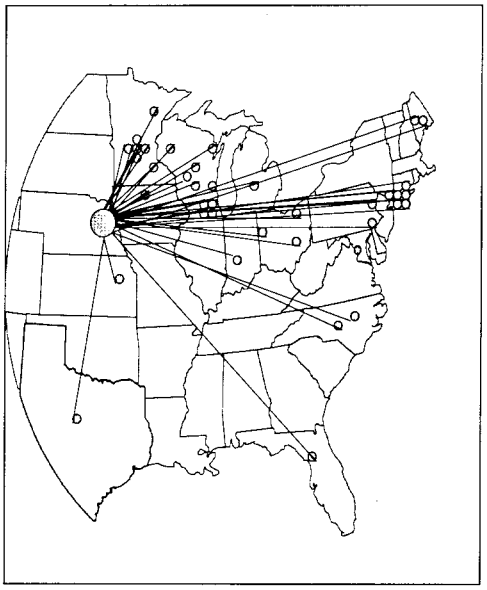
Investment Funds Create Export Opportunities for U.S. Business

Working with private capital, OPIC complements its insurance and loan products by supporting funds that make equity and equity-related investments in emerging economies. By addressing the need for private equity in developing countries and providing a catalyst for private sector development, these funds create export opportunities for U.S. suppliers of essential equipment and services. As a result, both small and large U.S. businesses across the country benefit.

In 1998, OPIC-supported Agribusiness Partners International Fund based in Omaha, Nebraska invested in the projects of several enterprises in Kazakhstan, Moldova, Georgia and Russia. These projects have created export opportunities for **50 American businesses in 45 cities and towns in 20 states.**

The map below illustrates the impact of Agribusiness Partners' investments in the New Independent States on businesses all across the eastern United States. The cities listed alongside the map are home to some of the companies that have benefited from this OPIC-supported fund.

Alachua, FL
Auburn, WA
Brooklyn, NY
Chicago, IL
Chicago Ridge, IL
Cleveland, OH
Coldwater, OH
Crystal Lake, IL
Dallas, TX
Duluth, MN
Durham, NC
Eden Prairie, MN
Elmhurst, IL
Fairfield, ME
Farmingdale, NY
Green Bay, WI
Indianapolis, IN
Iowa Falls, IA
Itasca, IL
Janesville, WI
Kansas City, KS
Lancaster, PA
Madison, WI



Marshfield, WI
Maryland Heights, MO
Mason, MI
Menlo Park, CA
Minneapolis, MI
Napa, CA
Nazareth, PA
Northvale, NJ
Norwalk, CT
Pleasant Prairie, WI
Plymouth, MN
Ramsey, NJ
Redwood City, CA
Research Triangle, NC
Rio, WI
Rollingstone, MN
Roslyn Heights, NY
Saint Paul, MN
Salt Lake City, UT
Wayzata, MN
Winslow, ME
Zanesville, OH

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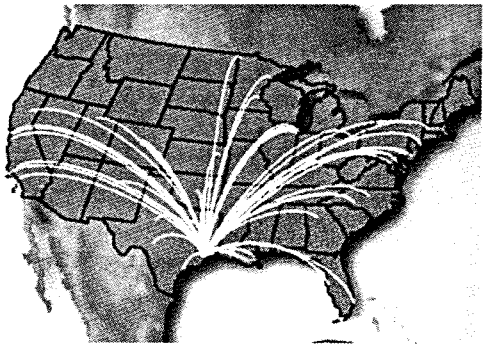
March 1999

The Overseas Private Investment Corporation

Helping America Compete: U.S. Small Businesses as Suppliers



The case of an OPIC-supported Enron Oil & Gas Project in India

Many of OPIC's direct clients are American small businesses. Yet OPIC has thousands of indirect, small business clients who supply goods and services to OPIC projects around the world. The returns they receive from the agency's work are very substantial.

One Case Study: An Enron Project in India

- An offshore oil and gas project
- $200 million in OPIC political risk insurance issued in 1996
- 260 U.S. suppliers to the project identified
- 240 of the 260 suppliers are U.S. small businesses
- 21 states with small business suppliers to the project (*see map above*)
- $70 million in goods and services are being produced and sold by these small businesses, including drills and drilling equipment, pipes and tubing, communications equipment, office supplies, and legal, financial and high-tech services

In all, about $310 million in U.S. goods and services will flow to the project during its first five years of operation, creating and supporting some 1,100 American jobs.

OPIC is a self-sustaining U.S. agency that encourages private investment in some 140 developing nations and emerging markets worldwide. OPIC's political risk insurance, project financing and investment funds fill a commercial void, create a level playing field for U.S. businesses and contribute to the development of emerging economies. Since 1971, OPIC has supported $121 billion worth of investments that will generate $58 billion in U.S. exports and create more than 237,000 American jobs. For general information: **OPIC InfoLine: 202-336-8799**. For documents by fax: **OPIC FactsLine: 202-336-8700**. For information via the **Internet: http://www.opic.government**

OVERSEAS PRIVATE INVESTMENT CORPORATION

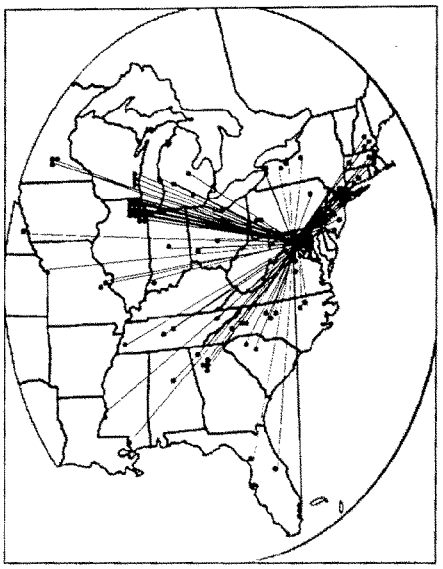
Marriott Projects Generate Sales for U.S. Business

OPIC supports U.S. businesses of all sizes directly by providing insurance and financing for investment projects in emerging markets. Businesses also benefit by selling goods and services to OPIC-backed projects.

OPIC currently supports a number of emerging-market investments by Marriott International, Inc. of Maryland. From 1993 through 1998, two of these hotel projects, located in Argentina and Hungary, purchased materials and services from over **260 American businesses in 143 cities and towns in 32 states**.

The map below illustrates the wide-spread impact of the Marriott projects on businesses all across the eastern half of the United States. The cities listed alongside the map are the locations of some of the companies that have benefited from the OPIC-backed Marriott projects.

Akron, OH
Amherst, NY
Annapolis, MD
Arlington, VA
Atlanta, GA
Avon, MA
Baltimore, MD
Bay Shore, NY
Bethesda, MD
Brooklyn, NY
Burtonsville, MD
Canton, OH
Carthage, MO
Chatsworth, GA
Cherokee, NC
Chicago, IL
Cleveland, OH
Clinton Township, MI
Columbus, OH
Concord, MD
Concord, NH
Conover, NC
District Heights, MD
Downington, PA
Duluth, GA
Easton, PA
Edison, NY
Exeter, NH
Export, PA
Fenton, MO
Fort Lauderdale, FL
Franklin, TN
Franklin Park, IL
Gainesville, FL
Gaithersburg, MD
Grand Rapids, MI
Griffin, GA
Gurnee, IL
Hialeah, FL
Hickory, NC
High Point, NC
Highland, IL
Hopkins, MN
Huntingburg, IN
Indianapolis, IN
Kansas City, MO
Lake Forest, IL
Lakewood, NJ



Lexington, NC
Lisle, IL
Long Island City, NY
Lutherville, MD
Mahwah, NJ
Maiden, NC
Malvern, PA
Mansfield, MA
Melville, NY
Memphis, TN
Mequon, WI
Miami, FL
Milford, CT
Milwaukee, WI
Minneapolis, MN
Monmouth Junction, NJ
Morris, IL
Morristown, TN

Mound, MN
Mount Pleasant, MI
Mundelein, IL
Murfreesboro, TN
Muskegon, MI
Newark, DE
Norcross, GA
Northbrook, IL
Norwood, MA
Occoquan, VA
Oceanville, NJ
Oneida, NY
Orlando, FL
Pelham, AL
Philadelphia, PA
Picayune, MS
Pittsburgh, PA
Pompano Beach, FL
Port Gibson, MS
Potomac, MD
Quakertown, PA
Richmond, VA
Rockville, MD
Rocky Mount, NC
Ronkonkoma, NY
Rush, NY
Saddle Brook, NJ
Saint Louis, MO
Salem, NH
Sheboygan, WI
Shelburne Falls, MA
Skokie, IL
Spartanburg, SC
Stoughton, MA
Summer, CT
Tonawanda, NY
Troy, OH
Tupelo, MS
Union, SC
Upper Marlboro, MD
Vernon Hills, IL
Washington, DC
Wenatchee, WA
Westbury, NY
White Plains, NY
Wilkes Barre, PA
Winchester, VA
Winston Salem, NC

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For general information OPIC InfoLine: 202-336-8799 For documents by fax OPIC FaxnLine: 202-336-8700 For information via the Internet: http://www.opic.gov

March 1999

Appendix II

Main Features of the Group of Seven Investment Insurance Programs

G-7 Country Investment	Eligible investors	Eligible enterprises	Coverage limits	Maximum duration risks covered
France/COFACE	Legal entities registered in France.	No restrictions.	No limit.	15 years. Expropriation, war, inconvertibility, breach of government commitments.
Germany/C&L	Domestic German entities.	No restrictions.	No limit.	15 years.[a] Expropriation, war, inconvertibility, breach of government contracts.
Japan/EID/MITI	Persons and entities existing in Japan.	No restrictions.	$500 million per project.	15 years.[b] Expropriation, war, inconvertibility, bankruptcy after 2 years of operation.
Canada/EDC	Persons or business beneficial to Canada.	No restrictions.	No limit.	15 years. Expropriation, war, inconvertibility.
Italy/SACE	Persons or entities domiciled in Italy.	Developing countries only.	No limit.	15 years. Expropriation, war, inconvertibility, natural catastrophe.
U.K./ECGD	Persons and entities carrying on business in United Kingdom.	No restrictions.	No limit.	15 years extendable to 20. Expropriation, war, inconvertibility, or breach of contract by host government.
U.S./OPIC	U.S. citizens and entities and foreign entities 95% owned by U.S. interests.	Developing countries only.[c]	$200 million per project.	20 years. Expropriation, war, inconvertibility, breach of contract by host government.

[a]Twenty years if a project involves long construction period.

[b]Longer periods for projects with long construction periods, commercial risk for 10 years with longer periods possible.

[c]Bilateral agreement required, host government attitude toward human rights, worker rights considered, environmental impact considered.

Source: Overseas Private Investment Corporation (OPIC) Insurance Department.

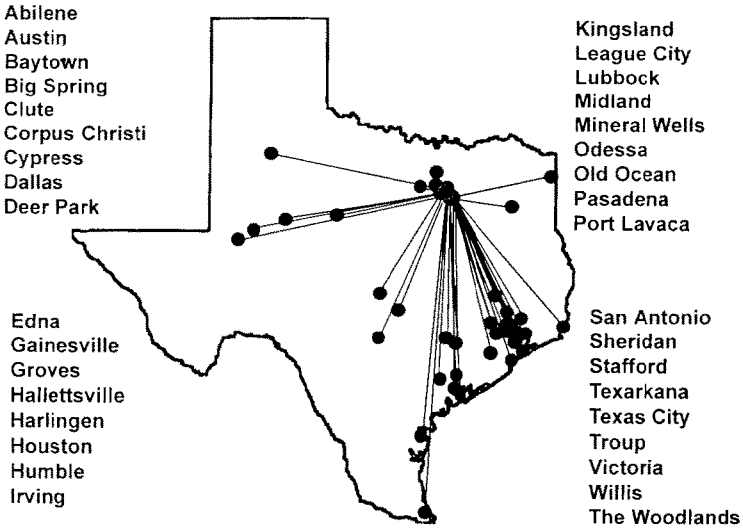
THE OVERSEAS PRIVATE INVESTMENT CORPORATION

Texas Companies Benefit From OPIC-Supported Project: Aguaytia Energy LLC of Dallas

In 1996 OPIC provided Aguaytia Energy LLC of Dallas, Texas with $200 million of political risk insurance to support a gas field and power plant development project in Peru.

Looking at supply orders and exports to date, we now know that more than 135 companies from 35 cities across Texas are producing and/or exporting more than $56.8 million in goods and services for the project. Goods sold to this project by Texas companies include constuction equipment, piping, pumps, drivers and storage tanks.

The map below shows highlights of the state-wide impact of the project to date and lists the Texas cities in which the companies benefitting from the OPIC-supported project are located.



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STATEMENT OF JANE DAUFFENBACH

Mr. Chairman and members of the Committee, thank you for inviting me to appear before you today. I understand that there are larger issues to be considered, but I am going to speak to you from a personal, hands-on perspective. I hope you will see the connection between how OPIC affects me, a small business exporter, and the bigger picture.

For 35 years our company has designed, manufactured and sold aquatic plant management equipment used for weed control in lakes, rivers, ports, harbors and even oceans, where kelp was harvested as a commercial crop. Weed control is necessary to make an infested water body useable for transportation and recreation. Also, excessive weed growth negatively impacts fisheries and the natural balance of the waterway. People often use our equipment in conjunction with or as an alternative to aquatic herbicides.

A family business, the company was started in 1964 as a specialty fabrication shop. By 1968 we prototyped the modern aquatic weed harvester, and developed the worldwide market for the equipment in the 1970's. We have equipment across the United States and in nearly 40 countries.

The water management equipment line includes cutter boats which chop up dense overgrown vegetation, weed harvesters and related machinery that cut and remove the material, special boats designed to collect floating trash and litter, and a unique floating excavator. The equipment is marketed under the name of Aquarius Systems, and we are the world leaders of this niche industry.

Although our primary business is to manufacture and sell equipment, we have occasionally taken on contract service projects, either on our own or in partnership with our customers. Some of these include our former company Wisconsin Lake Harvesters, a project for the TVA in Alabama with WeedBusters Inc., and ongoing harvesting in Europe and elsewhere in the world.

There is no question that exporting our equipment is necessary for our survival and growth as a company. In any given year, between 15 and 45 percent of our sales go overseas. This could be Europe, Asia, Latin America, the Middle East, or Africa - - - we sell where ever our unique machines are required. We recently invested in a new 30,000 square foot plant to increase our manufacturing capabilities.

Last July we were awarded a World Bank contract which is a turnkey project in Kenyan Lake Victoria. We are to supply the equipment, personnel, and management to chop 3,700 acres of the exotic water hyacinth weed. This initial project is small in comparison to the huge infestation on the lake. The weed floats around in giant masses and closes off entire harbors for weeks, months, or years at a time. Its presence has severely impacted the fishing that the locals depend on for food and employment. Because it is an exotic weed, it is also impacting the natural environment of the lake. We expect to begin the actual work early this summer.

Negotiating this contract over the last nine months was very difficult and we were unsure of what was normal and to be expected, and what was peripheral, to be avoided.

When we visited the Department of Commerce and US-AID offices in Nairobi, they helped us to focus and maintain our resolve. Later on after we involved OPIC, we learned from them that the process that we were going through was quite normal and par for the course.

In our past experience we have dealt with some other difficult issues that impeded our ability to export. This includes financial assistance that was provided to our foreign competitors by their own governments. This assistance was not equivalent to the programs like Ex-Im Bank financing or OPIC risk insurance, but far exceeded these basic trading tools. For example, when competing for business a few years ago in the Middle East, the Dutch Government ruined one deal by providing free equipment to the customer that was copied from us and built by a Dutch company. More recently, in the Far East we were out-competed on a large equipment sale when the Canadian Government supplied a "free" machine as a gift to the King, built by a Canadian competitor. Our small company is in no position to give away free equipment in the hopes of getting an order. Yet not only are our foreign competitors well supported in their export efforts, they are fully subsidized by their own governments!

Another example occurred within the last 12 months. Our negotiations had been moving slowly on the Kenya project, with the ensuing frustrations on both sides. In the mean time, a trade mission from Japan visited the lake and saw the devastating weed problem. The Japanese Government approached the Kenyans with an offer of supplying both the equipment and the money to run the operation. Since then, we have learned that a similar overture had come from Israel. Fortunately both offers were rejected because our World Bank financed project was already on the table.

Situations like this are not uncommon and occur almost annually. Simply put, Aquarius Systems is not competing with Foreign Companies. We are competing with Foreign Governments.

It is lonely out there, especially before we found out about the commercial services offered by the Department of Commerce, International Trade Administration, and the products and services from OPIC and the Ex-Im Bank. It was only about two years ago that we became aware of the activities of these agencies and started using them in our efforts to promote export sales. Up until then, the way we used to do things was reactionary - - - a representative from another country would come to us with a potential job. Now with the tools provided by OPIC, the Ex-Im Bank, the International Trade Administration, etc., we are in a better position to go out and initiate business than ever before. We are constantly thinking up new ways to use these tools to increase our sales overseas. Also, we now keep the proper people posted about our activities in the various countries, so that they are in a position to react with assistance if necessary.

We learned about OPIC during a visit to the Department of Commerce in Washington. We were aware of the Export-Import Bank, but did not know that OPIC had insurance and financing products available until then. We started discussing an Asian project with them that did not come to fruition. But a year later when the Kenyan bid came out, we immediately contacted OPIC to inquire about their political risk insurance, so that we could budget the premium amount in our quotation. We would never have considered trying for this business in Africa without the participation of OPIC.

American banks in general are conservative, but even more so in the Midwest. When we told our bankers that we won the Kenya bid they were delighted with the news, but uncomfortable with the thought of our sending equipment to a country in Africa for 12 months or more. It certainly was not a typical transaction for us or our bank. Although they were unfamiliar with OPIC at first, once they understood the political risk coverages we intended to buy, they

proceeded to finance our needs.

Another factor with using OPIC on this transaction is that we have the security that our Government is behind us. This will be very helpful should a dispute arise. It will also help us to maintain proper transparency, and give us some muscle to push though bureaucratic impediments, if necessary. We are certain that if an issue comes up in the next 12 months, our position will be taken more seriously now that it is known that our Government is watching and ready to assist.

OPIC is an outstanding example of a Government initiative that works extremely well. It provides real value to its clients and is a fiscally responsible entity that returns income to the Treasury. It is also a bit of a secret to many exporters, and I would suggest more promotional efforts going forward, not only to small and medium sized businesses, but to the small and medium sized banks who service these exporters.

Every day we are working down there in the trenches trying to make good business around the world. We do not ask for much, but we need a level playing field. If companies like ours are given half a chance, and we will continue to successfully manufacture and export our American built equipment. It is imperative that the financing and insurance programs from OPIC exist so that we have the necessary tools available to accomplish our goals. And I am sure I speak for most exporters when I say we will gladly continue to pay the premiums and interest for these products and services.

In conclusion, some of the benefits to Aquarius Systems from working with OPIC include:

- Political Risk Protection so that we could get financing for our contract;
- Perception from our client that our Government is behind us;
- A more level playing field to compete. While we aren't supplying free equipment and money like other countries have offered, we have secured the chance to perform and prove to the customer the best decision was made; and
- If all goes well, we expect to increase our export sales in all tropical countries from the positive exposure this single contract will bring to us

Thank you again for your consideration.

LOCATIONS

CORPORATE HEADQUARTERS

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Phone: 03-6571688
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AQUARIUS SYSTEMS
A Division of D&D Products Inc.

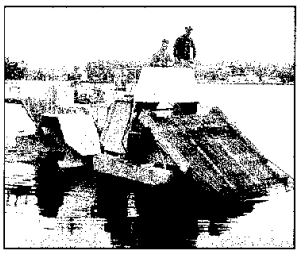
HISTORY

Henry David Thoreau once said that "a lake is a landscape's most expressive feature..." Unfortunately agriculture and urbanization have taken their toll on our global waters. Frustrated water managers worldwide experience similar problems, from excessive aquatic plant growth and silt filled channels, to floating trash and choking emergent vegetation.

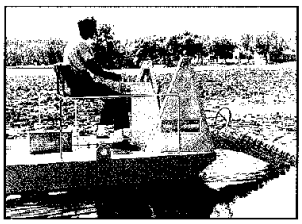
In the 1950s, John R. Dauffenbach, founder of D&D Products Inc., began developing equipment to battle water quality problems locally. Established in 1964, D&D Products expanded that early vision to address water management concerns around the world. Our customer list now spans the United States and more than 35 countries.

Frequently imitated but never duplicated, we are the oldest manufacturer of Aquatic Plant Harvesters in the world. Respected as the industry leader, we have unsurpassed expertise in a wide variety of water management techniques. Through hands on management and continual innovation, we are committed to providing quality equipment, friendly customer service, and timely factory support.

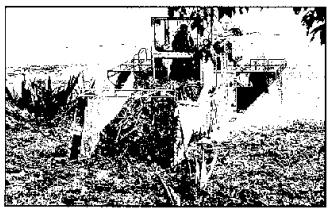
HARVESTERS

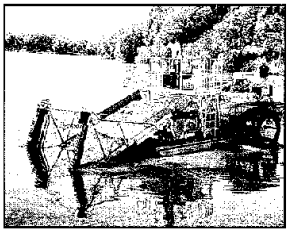


Created from a need to knock down weeds so that clean ice could be cut from frozen lakes, Harvesters have evolved greatly in the last several decades.



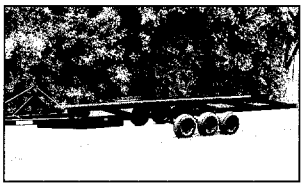
Through research and development, we have taken the Aquatic Plant Harvester from its crude and cumbersome origins to the efficient machines available today. By cutting and removing aquatic vegetation, harvesting offers an environmentally sound, cost effective and practical solution to controlling excessive plant growth. A full range of sizes are available to suit every application.



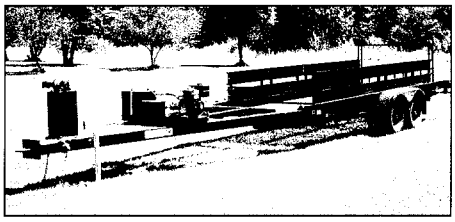


TRAILERS

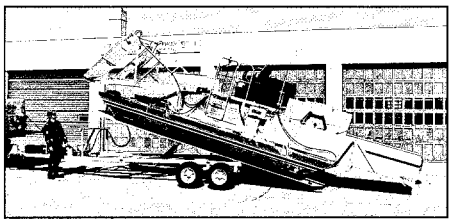
Three distinct trailers can be used with the Harvesters. The first is the Standard Trailer, which allows the operator to readily launch and retrieve the unit, and to haul it



between work sites. The second is the Trailer-Conveyor combination, which performs the functions of a Standard Trailer, but also serves to receive the vegetation from the harvester and haul it to the dis-

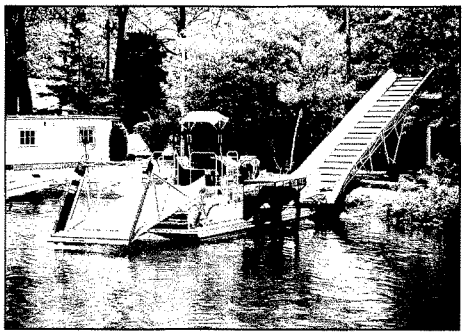


posal site. The last option is the Tilt Deck Trailer. This is a Standard Trailer which has a hydraulic tilting function to aid in the launch and retrieval of equipment in shallow water.



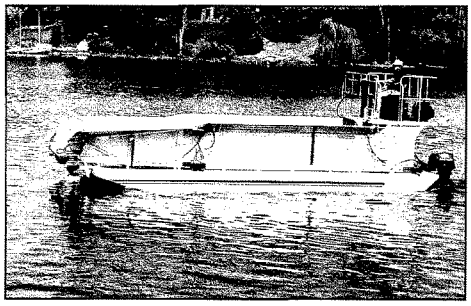
SHORE CONVEYORS

The Shore Conveyor serves both the Harvester and the Transport as an unloading link between land and water. The vegetation is emptied into the Shore Conveyor, which elevates it to a waiting dump truck. The Shore Conveyor can be powered off the Harvester or Transport via hydraulic quick-disconnects, or by an independent power pack.



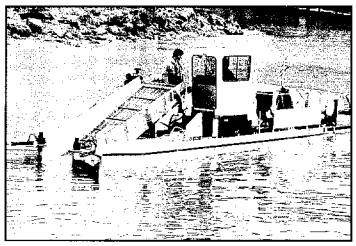
TRANSPORTS

For larger harvesting applications, the Transport plays an important role in productivity. Instead of the Harvester coming to shore to unload, the Transport goes out to meet the Harvester. The two machines hitch, the load is transferred to the Transport, then they separate. The Harvester resumes cutting while the Transport hauls the load to shore. To unload, the Transport is compatible with both the Trailer-Conveyor and the Shore Conveyor. The Transport can be propelled by outboard engines, paddle wheels, or hydraulic propellers.



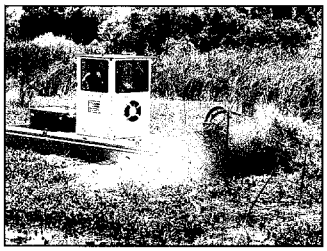
TRASH HUNTERS

The Aquarius Trash Hunter is a heavy duty work boat designed to collect floating trash and litter from harbors, rivers, and other waterways. The Trash Hunter easily and efficiently retrieves all types of material, including small scale oil spills.



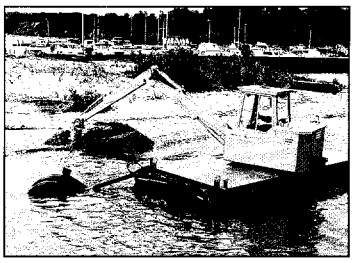
SWAMP DEVIL AQUATIC VEGETATION CUTTER

The Aquarius Swamp Devil is the most powerful, heavy duty vegetation cutter made. With its two ferocious blades it effortlessly shreds small trees, cattails, bogs and troublesome tussocks. The Swamp Devil also cuts through the sub-soil to create an open water channel.



AQUARIUS AMPHIBIOUS DREDGE

The Aquarius Amphibious Dredge is a specially adapted barge mounted excavator fitted with legs. This Dredge is ideal for working along shorelines and in other areas where traditional equipment cannot reach. The Dredge can load and unload itself from a trailer, and launch and retrieve itself unassisted. Many hydraulic attachments add to its versatility.



TESTIMONY OF VIKRAM V. RAJADHYAKSHA BEFORE THE
CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
106TH CONGRESS
COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON TAX, FINANCE AND EXPORTS
MAY 18, 1999

Mr. Chairman and members of the Subcommittee, my name is Vikram V. Rajadhyaksha, better known as Raj, and I am the Chairman of DLZ Corporation based in Columbus, Ohio. I am an immigrant from India who arrived in this country under a scholarship for getting a Master's degree in Civil Engineering at the University of Cincinnati in 1967. I have lived in this country for the past 32 years and have been Chairman and Chief Executive Officer of DLZ or its subsidiary company, Dodson-Lindblom Associates, Inc., for the past 20 years. I bought Dodson-Lindblom Associates in 1979 when it had five employees. I currently employ 670 in the States of Ohio, Michigan and Indiana. My businesses are a product of one of your Congressional programs, the Small Business Administration's (SBA) Section 8(a) Program. I was admitted to the Small Business Administration's Section 8(a) Program in 1980 and graduated from the Program in 1984, but that small stint laid the groundwork for what is now the DLZ Corporation.

Five years ago I started looking into international ventures and very quickly concluded that simply providing the type of consulting engineering and architectural services that we provide in the United States would get us nowhere in the international market. Thereafter, I decided to enter into the Indian market as a developer of hydroelectric energy projects. At this point in time, the Indian Government had opened the market for private firms to develop hydro projects.

Since entering this field it was obvious to me that the hydroelectric business is a very capital-intensive business and I would have to raise a substantial amount of funds, both in the form of equity in the project and in the form of debt. After much research, it quickly became apparent that the Overseas Private Investment Corporation (OPIC) was the only agency that was active in the financing of energy projects and, more importantly, they seemed to have at least a small portion of

the debt in every energy project that was done by a U.S. developer everywhere in the world. It did not take much analysis to understand the reason for this simple fact--energy projects are obviously long-term investments in areas of the world that are politically unstable, and OPIC being present in the project provides the good faith and the facilities of the U.S. government on every project. This not only provides a great deal of comfort to other lenders on the project but also to the equity providers. Having done this homework, we approached OPIC concerning our work in India. Ms. Ruth Harkin was President of OPIC at that time and, lo and behold, she advised me that there was some grant money available for businesses such as ours as seed money for our India venture. Subsequently, we were granted a $100,000 grant by OPIC through their EPA grants program to get started on our India venture. Just recently, on May 6, after completing all the formalities required, we closed on our OPIC loan of $5 million for our first hydroelectric project in India. The project, known as the Bhandardara Hydroelectric Power project, is located about 150 kilometers north and east of Bombay at the toe of an irrigation dam that produces power when water is released for irrigation purposes. The total project is $13.3 million, out of which OPIC is lending us $5 million, the Indian Renewable Energy Development Agency (IREDA) is lending us another $5 million, and the City of Detroit Policemen and Firemen Retirement System is providing $3.3 million in equity funding. The project will generate 47 million units of power annually. OPIC will also provide political risk insurance that will protect the equity funding that is provided by the Detroit Policemen and Firemen Retirement System. I can assure the Subcommittee that this venture would not have occurred without OPIC's participation in the project. We have been awarded 22 similar small hydroelectric projects that we expect to be working on consecutively.

While it has been obvious to us that this project would not have happened without OPIC being a participant in it, this does not mean that working with OPIC has been easy. My experience with OPIC has taught me that OPIC's mind set is focused on large energy developers, such as Enron, and working with large international contractors, such as Bechtel. I have found their tolerance level is low in working with a small business, such as ours. One of the biggest problems I have had in working with OPIC has been the amount of legal documentation that is required for our project financing. To give you some idea, a $10 million debt financing has cost us over $1 million in legal

fees, not counting our internal Corporate Counsel's time and effort.

Here are a few suggestions that I would like to make to this Subcommittee so that OPIC and small businesses can better work together. (1) OPIC should advise the small business of what documents would be required for them to be able to make this loan and also make them aware ahead of time how long it would take to put these documents together and, most importantly, the costs involved. (2) OPIC should have more grant money that can be made available to the small businessman to investigate international projects.

In conclusion, I can assure you, as a small businessman who has come up through the Small Business Administration's 8(a) Program, that OPIC is a very needed agency, that is not "corporate welfare", and one that provides the good faith and the credit of the U.S. government in international projects done by Americans. Without such backing of the U.S. government, no projects would be occurring, and certainly not the project in which I am involved. I would suggest that OPIC and the SBA, two great organizations in my mind, work together so that the small businessman is given every opportunity to succeed and project financing is made readily available.

Thank you.

Statement by William M. Silverman
Director
The First Republic Corporation of America

to the

Subcommittee on Tax, Finance and Exports
Committee on Small Business
U.S. House of Representatives

May 18, 1999

Thank you for the opportunity to be here today to assist you in evaluating the effectiveness of the Overseas Private Investment Corporation ("OPIC") in helping small business. The First Republic Corporation of America ("First Republic") and OPIC have a loan agreement for $5.6 million to develop and enhance First Republic's patented aquaculture system that has great promise to resolve serious environmental issues in developing parts of the world.

First Republic is a public company with real estate and textile interests as well as a significant position in the shellfish industry through its Bluepoints Company subsidiary, located on the Great South Bay in Long Island, New York. Bluepoints, an 82-year-old shellfish company with origins that go back to the 17th century, is an international distributor of shrimp and shellfish. First Republic knew of OPIC's work to enhance business opportunities overseas for American companies and we contacted OPIC regarding our shrimp business in Ecuador.

In March 1998, First Republic received a United States patent for a new open air mariculture system which it developed at its shrimp farms in Ecuador. The system, licensed through Bluepoints, was developed to combat Taura Syndrome, which devastated shrimp production in the region where First Republic's shrimp farms are located. The system also has far-reaching ability to reduce pollution and disease that already impacts the Taiwan shrimp industry and is threatening shrimp and shellfish farming from Thailand to Texas. Thailand has already passed legislation banning the building of new fresh water shrimp farms. First Republic had a team in Thailand last month to assess the situation and prepare an operational plan for the implementation of our technology.

The Bluepoints mariculture system is environmentally friendly and a real solution to help to increase the world's food supply by maximizing sustainable farm-grown shrimp production. It uses ozone and special filtration methods to destroy pollutants both inside and outside the closed system of canals and ponds that make up the modern shrimp farm.

Although we are a small business, OPIC treated us like a Fortune 500 Company. The attitude of OPIC was always cooperative and

helpful and First Republic would like to especially thank James C. Polan and Elena Gonzalez of OPIC for their professionalism and expertise in all their work with us.

OPIC has an important influence on us in three ways:

- Its financing is allowing Bluepoints to expand the development of its system in Ecuador and to introduce the system in other regions where aquaculture has come under attack from disease and pollution, and where environmentalists have objected to shrimp farming practices. For example, a Bluepoints team has just returned from Sydney, Australia where a paper was presented to the world's largest and most important aquaculture conference.

- OPIC's support has also given us credibility in Ecuador and Thailand with governmental and non-governmental agencies and with aquaculture companies. OPIC's stature in these emerging economies is great. With OPIC standing behind us, we have found doors open more easily.

- OPIC has also counseled us on improving our technology and how to market it. They have given us access to thinking that goes beyond our core competency at First Republic. They have pointed us in important new directions.

The Bluepoints mariculture system has already had an important impact in Ecuador, a fragile country where shrimp farming is one of the three most important sources of foreign currency. We have just begun our efforts to bring our technology to Thailand, the world's largest shrimp producer. We are investigating the applicability and replication of our technology in Indonesia, the Philippines, Honduras and other countries. We hope that OPIC will be able to work with us in those additional countries.

Without OPIC, our efforts to develop and market our open-air mariculture system would not have been possible.

Thank you again ladies and gentlemen for this opportunity.

TESTIMONY OF WILLIAM J. HERBERT
JOHNSON MARCH SYSTEMS, INC.

before the

SUB-COMMITTEE ON INTERNATIONAL ECONOMIC POLICY & TRADE
COMMITTEE ON INTERNATIONAL RELATIONS
U.S. House of Representatives

May 18, 1999

Good morning. My name is Bill Herbert, Sales Manager for Johnson March Systems, Inc. I would like to express the appreciation of Johnson March Systems, Inc. (JMSI) for the opportunity to explain how important OPIC is to small companies such as ours.

In the way of background and experience, I have a Bachelor of Arts degree in Economics and have served as Sales Manager for JMSI for more than 22 years. During this time I have been directly responsible for selling products to many foreign customers.

JMSI is a privately held company whose 50 employees have helped the company grow and have sales in excess of $12 million. The company and all its facilities is located in Bucks County, Pennsylvania. Our company designs and manufactures custom-engineered products for Electric Power Plants and Petrochemical Plants. The products are utilized for water treatment, chemical process additive dosing , and air pollution control.

In the late 70's JMSI concentrated its selling efforts in the domestic market, building a customer base and reputation with clients and the engineering firms that design their plants.

In the early 90's the domestic market for JMSI's products began to change significantly as a result of lower electrical demand growth. New domestic refinery capacity was at a low level. Prospects for growth in our domestic marketplace were not bright. Conversely, the market for JMSI products overseas was growing rapidly.

Within a matter of 6 to 7 years the percentage of JMSI's sales to the international market grew from about 20% up to 75-80%. During this time, JMSI has shipped millions of dollars of products overseas every year.

A major factor in the transition from the domestic market to the international market was the success of US plant developers, US engineering firms, and US contractors in securing international projects.

The success of the US firms is directly related to the support provided by the OPIC and EX-IM Bank Agencies. Contracts won by US companies have a direct benefit to small companies like JMSI. As a systems manufacturer, JMSI purchases millions of dollars worth of US manufactured products including computers, electronic analyzers, structural steel, valves, pipe fittings, and pumps.

When US companies secure large international contracts through the support of OPIC, the benefits are realized by many small companies that otherwise would not be able to survive and grow.

JMSI has had experiences where foreign companies wanted to purchase our products and technology, but they could not buy from a supplier outside of their country due to financial restrictions in their contracts. The foreign governments and banks supported the foreign contractor, so the contractor was obligated to purchase from local suppliers and not from US Companies.

US companies benefit when the US Government supports their efforts.

There is no doubt that without the success of OPIC supporting US developers, engineering firms, and contractors, JMSI would have fewer employees. This is also true for JMSI's suppliers.

All indications are that the Electric Power Generation and Refinery/Petrochemical Market outside of the US will grow at substantially higher rates than the US Markets. Developing countries require increased electrical generation capacity. As these countries develop, the demand for oil, gas, coal and hydrocarbon-based products also will increase significantly.

US manufacturers are respected world wide for their superior technology, high efficiency, and competitive pricing. The international market is there ready for participation, but most small manufacturing companies rely upon the US developers as the key to the market.

OPIC and EX-IM Bank support is vital to the success of US Companies and the huge number of small firms that are dependent on them.

JMSI completely supports the efforts of OPIC and hopes that those involved in OPIC's reauthorization realize how very important it is for the strength of the Economy, US balance of payments, and American jobs.

Again, thank you for your time and continued support.

I will be pleased to reply to questions that members of the Subcommittee may have.

STATEMENT BY PETER A. BOWE, PRESIDENT
ELLICOTT INTERNATIONAL
to the
COMMITTEE ON SMALL BUSINESS

of the
U.S. HOUSE OF REPRESENTATIVES
May 18, 1999

I am testifying today on behalf of my company and the Small Business Exporters Association (SBEA) whose members represent a wide segment of American exporters. We share a common conviction that exports are essential to our economy, essential to the jobs of tens of millions of American workers, and a pre-requisite to a healthy economic growth rate.

We stand together in support of the Overseas Private Investment Corporation. Just as exports are crucial to our economy, so is OPIC crucial to our ability to compete in today's global markets.

Today, exports account for over 10% of our GNP. At least one-quarter of our net job growth over the last 6 years can be directly attributed to exports. All industrialized nations, especially the OECD member countries, are looking to exports for their economic growth. Our principal competitors all provide substantial assistance to their exporters, more than the U.S. according to almost any measurement. The SBEA has compiled several analyses showing how much more our competitors support exports than we do. I am speaking for companies and workers who compete in the real world of global competition, not as you or I might like it to be, but as it is. In the real world we need programs like OPIC, and Eximbank, and TDA, and the Advocacy Center of the Commerce Department to compete and win.

Before I turn to the story of how my company has used OPIC, let me make three points.

First, OPIC is essential to developing countries and especially the "Big Emerging Markets" designated by the Commerce Department. Prudent investment is facilitated by guarantees and insurances to provide some protection to our overseas assets, especially when private insurance is often not available or is available only with unacceptable conditions. In these situations OPIC

plays an irreplaceable role to enhance American market share in foreign economies by encouraging U.S. foreign investment.

Second, when American companies invest overseas, they rely substantially on American exporters for their equipment needs. As much as one-fourth of all US exports goes to foreign subsidiaries of US companies, so it is in our interest to increase foreign investment.

Americans used to complain that Japanese auto assembly plants in the U.S. relied on parts exports from Japanese suppliers to the detriment of potential U.S. suppliers. The same phenomenon is true in reverse with U.S. companies' foreign subsidiaries. In OPIC's 25 years, over $50 billion in exports and almost 250,000 jobs have been attributed to OPIC-supported foreign investment.

Third, OPIC is financially self-sufficient and does not rely on taxes. It is the exporters — not the taxpayers — who pay for OPIC. The fees paid by American companies covered well over 100% of OPIC's total operating costs, including reserves. And the private sector demand for OPIC's services is growing. OPIC's annual surplus has been lent to the U.S. Treasury — last year this was over $200 million. In fact in every one of its 25 plus years, OPIC has generated a net surplus. As a businessman, I am jealous of that financial performance. OPIC's cumulative surplus now stands at over $3.0 billion. All these numbers are facts, confirmed by an independent auditor. Anyone who calls OPIC "corporate welfare" is either woefully or willfully ignorant or perhaps just an unreserved isolationist.

Now let me take a moment to describe several specific ways that OPIC has helped Ellicott International sell dredges worldwide in competition with some of Europe's biggest industrial conglomerates. One of our competitors is the German company Krupp which built munitions and battleships in WWI and WWII. That helps to remind me that the global marketplace, commercially, is still akin to warfare. Krupp today despite its $15 billion size still gets all kinds of financing support and subsidies from their government, not to mention trade advocacy directly by the Chancellor.

OPIC has a program which is of great interest especially to small exporters, and the members of the Small Business Exporters Association of which I am a Director. Sales to foreign governments usually require bank guarantees as performance bonds which are subject to arbitrary treatment by the buying country. OPIC has a program to insure such bank guarantees against wrongful taking. The comfort which comes from this insurance induces many American exporters, small or large, to bid on projects they would otherwise avoid. OPIC's prestige goes a long way towards assuring that foreign governments treat American exporters fairly. Thus the status of OPIC as a U.S. government agency in most cases prevents any loss to OPIC through inappropriate foreign government actions where a private insurance company would have no such political standing. Ellicott has used this program in several countries.

Recently OPIC intervention was absolutely critical to Ellicott having a bank guarantee (insured by OPIC) returned from a client in Egypt. We had been unsuccessful through three years of negotiations. When OPIC decided to attend a TDA investor conference in Cairo last fall, we asked OPIC to get involved, and they jumped in with both feet. OPIC Executive Vice President Kirk Robertson took a personal interest in seeing that a fair and proper resolution was achieved.

OPIC contacted the Egyptian entity and let them know the importance of returning the bank guarantee and that failure to do so could affect U.S. investment in Egypt. The Egyptian government and our customer responded immediately.

The bottom line is Ellicott finally reached an acceptable agreement because of OPIC, and that OPIC earned over $100,000 in premiums insuring our guarantees during the life of the project.

It was a text book example of how wrongful call insurance is supposed to work. I strongly doubt that a private sector insurer could have had the clout with the Egyptian government to achieve the same result.

Second, Ellicott has been successful selling dredges to OPIC's clients for their overseas projects. It is surprising, even though we are a small company, how many of our customers we can find in OPIC's Annual Reports. They include:

- Guardian Industries (Michigan) — for Venezuela
- Sierra Rutile (Pennsylvania) — for Sierra Leone
- GoldBelt Resources (Colorado) — for Kazakhstan
- Great Lakes Dredge & Dock (Illinois) - for the Middle East

Dredge sales to these companies' foreign projects have created jobs in our Baltimore factory.

Keep in mind that foreign infrastructure and natural resource development projects can only be developed where the resource opportunity exists. Mining companies can't move a mine from one country to another. Ports can be built only where the waterways meet a market. Thus it cannot be possibly said that the infrastructure projects where our exported equipment is used exported jobs from the USA. This is true whether OPIC supports these projects or not, and it is better if OPIC is involved, because non-American developers of foreign infrastructure projects have no obligation to use American-sourced equipment.

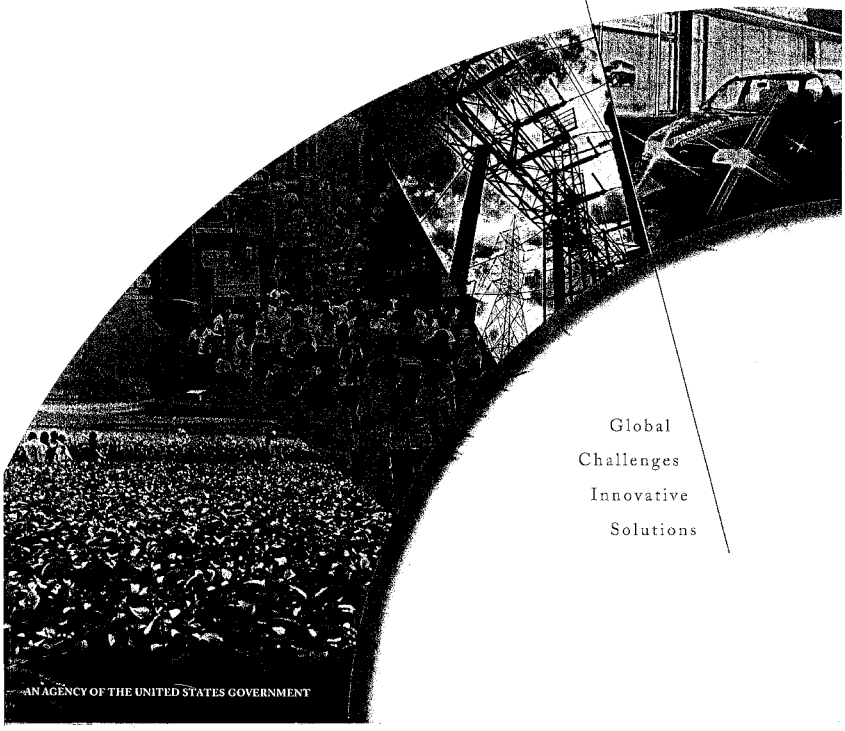
Lastly, one of the largest contracts my company is working on today is a $20 million project to supply dredging equipment to Indonesian ports. We got our first big boost for this project on an OPIC trade mission in the early 1990's, where OPIC helped introduce Ellicott to key government officials involved in this project. As you can see OPIC touches the export process in many ways — some expected and some not so expected.

I hope it is clear to you that OPIC is extremely effective in helping the private sector increase exports and create jobs. — all at no cost to the taxpayer. Congress should extend its authority to

operate and reject attacks which are either factually wrong, or based on misguided theories of what the global export market should be like, not what it is really like. Terminating agencies like OPIC would weaken our competitive position in world trade and would be the first step in unilateral trade disarmament when we are already suffering from a large trade deficit.

Thank you.

OVERSEAS PRIVATE INVESTMENT CORPORATION 1998 ANNUAL REPORT



Global
Challenges
Innovative
Solutions

AN AGENCY OF THE UNITED STATES GOVERNMENT

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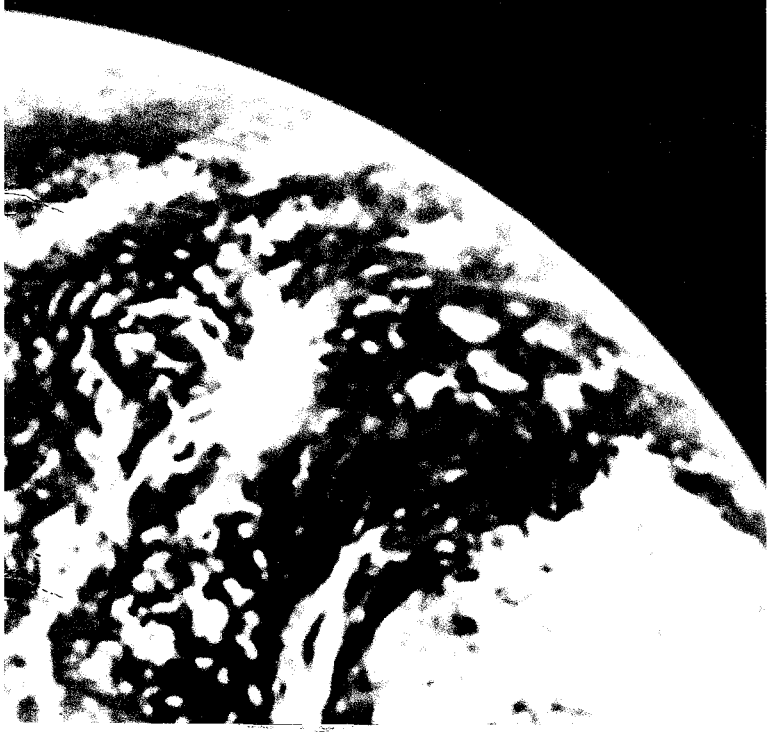
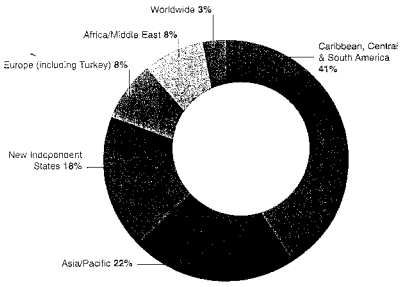
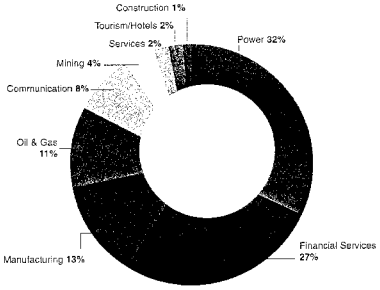


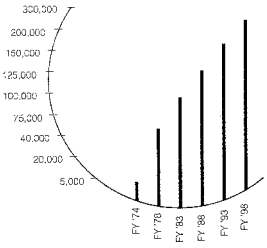
A Global Portfolio



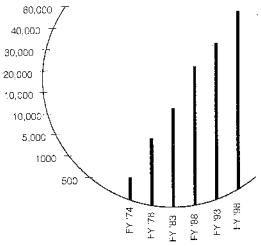
OPIC'S PORTFOLIO BY REGION
OPIC's portfolio embraces every region of the world, reflecting both flexibility to respond to new opportunities in different markets and a prudent policy of risk diversification.



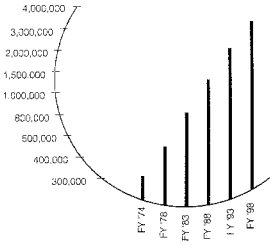
OPIC'S PORTFOLIO BY SECTOR
OPIC's experience is reflected in a portfolio that includes a wide variety of sectors.



CREATING U.S. JOBS
OPIC-supported projects have created or supported a cumulative total of more than 237,000 U.S. jobs.



GENERATING U.S. EXPORTS
OPIC-supported projects have generated a cumulative total of $58.5 billion in U.S. exports.



OPERATING ON A SELF-SUSTAINING BASIS
OPIC operates on a self-sustaining basis with a high level of reserves. All program costs, including administration, are paid by charging user fees. This fact was reinforced in a 1997 report by the Government Accounting Office (GAO), which said OPIC is *"profitable"*, *"self sustaining"* and *"fills a commercial void in risky markets"*. OPIC has earned a profit in each of its 27 years of operation and now has $3.3 billion in reserves.

The Overseas Private Investment Corporation is an independent, self-sustaining U.S. government agency that sells political risk insurance and financing to American businesses of all sizes expanding into key regions around the globe. Charging user fees for its services, OPIC operates at no net cost to U.S. taxpayers.

In 1998, OPIC achieved important and targeted accomplishments:

Provided leadership in implementing foreign policy priorities of the U.S. Government

- Supported 47 U.S.-sponsored projects in more than 30 developing and emerging markets.
- Increased cumulative amount of investment made by OPIC-backed projects to more than $121 billion.
- Reopened programs in key countries including Azerbaijan, Colombia, Korea, Pakistan and Vietnam.

Ensured prudent use and care of the full faith and credit of the U.S. Government

- Achieved net income of $139 million and increased reserves to $3.3 billion.
- Maintained an exceptional 95 percent recovery rate on insurance claims.
- Established task forces to advocate for clients and respond to rapidly changing conditions in Russia and East Asia.

Supported the U.S. economy, helping American businesses compete overseas

- Total number of U.S. jobs supported by OPIC-backed projects climbed to 237,375.
- Total amount of U.S. exports generated by OPIC-backed projects rose to $58.5 billion.
- OPIC-backed projects are buying U.S. goods and services from companies located all across the country.

Facilitated U.S. small business investment overseas

- U.S. small business ventures accounted for more than half of all 1998 OPIC finance transactions.
- A majority of all suppliers to OPIC-backed projects are U.S. small businesses.
- Launched a pilot small business partnership program to team up with state and local governments.

Operated as a model, high performance organization

- Streamlined services by signing new bilateral agreements with 13 countries.
- Created a new state-of-the-art website offering easy access to OPIC information.
- Developed a new political risk insurance product for capital markets transactions.
- Worked to remediate OPIC's mission critical systems in order to be Year 2000 compliant.

OVERSEAS PRIVATE INVESTMENT CORPORATION
WASHINGTON, D.C. 20527, U.S.A.

OFFICE OF THE
PRESIDENT

By all measures, OPIC made a valuable difference in 1998. We maintained our record of helping America compete while supporting development and stability in strategic regions around the world at no cost to the taxpayer.

The global financial crisis that began last year slowed or reversed the growth trends of developing countries in 1998. As a result, U.S. companies considering direct investment in these countries faced political uncertainty and a serious credit shortage. In this business environment, OPIC's innovative and effective political risk insurance and financing products were invaluable.

With our insurance and advocacy program, we were able to mitigate the perceived political risks faced by U.S. private sector long-term investment in key developing countries.

With our project financing and with our financing of private equity funds, we facilitated private sector funding of development projects that brought benefits to the developing country as well as to the U.S. economy.

Despite the global economic turmoil, OPIC had a great year. For the 27th consecutive year, OPIC operated as an independent federal agency at no cost to the taxpayer. Our portfolio is now $18.3 billion, with active projects in 96 countries. And we continued to prudently add to our reserves.

In the following pages, you will see the critical role OPIC played in 1998. The investments highlighted were possible because of OPIC's involvement. We acted in a time of need, because our country's national and economic security depends to a great extent on the welfare and stability of the rest of the world.

Our high performance organization is a tribute to OPIC's employees and its Board of Directors. I wish to thank them for a job well done. Their hard work and commitment are what make the accomplishments outlined in this report possible.

George Muñoz
President and Chief Executive Officer

1100 NEW YORK AVE., N. W. · WASHINGTON, D. C. 20527 · FAX (202) 408-9859 · (202) 336-8400

Around the globe

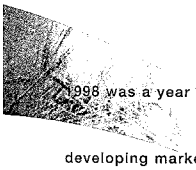
in a wide range of sectors,

on behalf of American companies

and workers, in support of American

economic and foreign policy, OPIC meets

global challenges with innovative solutions.



1998 was a year that brought dramatic changes to the world's developing markets. Democracy was taking hold in key regions, but faced challenges. American foreign policy and global business had to respond in new ways to events that were playing out on the world stage.

Throughout it all, OPIC diligently and prudently carried out its mission as a leader in mobilizing and facilitating private U.S. investment in emerging and developing markets.

Enabling the overseas expansion of U.S. companies is an investment in the future of Americans everywhere.

That's why in 1998 OPIC worked to insure, finance and advocate on behalf of American companies—small and large alike—in places where adequate private sector resources simply were not available. By making resources available for American companies in key countries, OPIC continued to serve America's economic and strategic interests.

New markets, sectors and innovations and a renewed commitment to strengthening OPIC's global portfolio marked a year in which OPIC demonstrated its strength as a consistent source of support for American companies and U.S. economic and foreign policy.

In 1998, OPIC participated in 47 projects in more than 30 countries, bringing local jobs and services to people in need. OPIC supported an impressive group of U.S. small businesses, keeping its promise to assure all Americans access to opportunities in the world's emerging markets. The year also brought a boost to the U.S. economy with OPIC's support of projects that will use American-made goods and create U.S. jobs. And once again, OPIC operated completely within its means, earning enough income to cover all its operating costs.

OPIC Programs

Doing business in today's global marketplace can be challenging. But done right, taking advantage of promising opportunities in international trade and investment can help a business grow.

To help American businesses of all sizes, OPIC supports U.S. investors through activities designed to mobilize and facilitate investment in some 140 emerging and developing markets. OPIC programs fill a commercial void, create a level playing field for U.S. businesses and have a direct impact in states across America.

OPIC finances and insures U.S. private investment projects that are financially sound, promise significant benefits to the social and economic development of the host country and foster private initiative and competition. As part of OPIC's overall mission, OPIC advocates the interests of the American business community overseas.

Protecting American Investments

OPIC protects U.S. investors against political risks overseas by providing insurance for American investments in new ventures and expansions or privatizations of existing enterprises. OPIC offers innovative insurance coverage, advocacy and a strong claims payment record. OPIC insurance protects against the following political risks:
Currency Inconvertibility — deterioration in an investor's ability to convert profits, debt service and other remittances from local currency into U.S. dollars and transfer those dollars out of the host country;
Expropriation — loss of an investment due to expropriation, nationalization or confiscation by a foreign government;
Political Violence — loss of assets or income due to war, revolution, insurrection or politically motivated civil strife, terrorism or sabotage.

OPIC does not insure against currency devaluations, nor does it guarantee that investors will earn a profit.

OPIC can insure up to $200 million per project. Coverage is available for equity investments, parent company and third party loans and loan guaranties, technical assistance agreements, cross-border leases and other forms of investment. Coverage also is

MEETING IMPORTANT STANDARDS

OPIC-supported investments range from small manufacturing centers to large-scale power generation projects. No matter what the investment, all projects must meet important standards. All OPIC projects support the U.S. economy, contribute to the economic and social development of the host country, protect the rights of workers and safeguard the environment. OPIC expects projects to meet the more stringent of World Bank or host country environmental, health and safety standards. OPIC systematically monitors the projects in its portfolio to ensure ongoing investor compliance with OPIC standards.

available for contractors' and exporters' exposures, including certain breaches by the foreign buyer of the contractual disputes resolution procedure, wrongful calling of bid, performance, advance payment and other guaranties posted in favor of foreign buyers and other risks. OPIC has special insurance programs for small business, infrastructure development, financial institutions, leasing, natural resources and oil and gas projects.

Financing American Investments

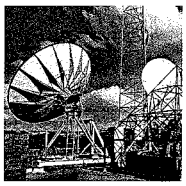
OPIC's finance program supports U.S. companies of all sizes so that they can compete in new and growing markets overseas. OPIC can offer loan terms of up to 15 years and help U.S. companies secure timely and appropriate financing by using flexible financing structures and security packages.

OPIC provides financing through direct loans and loan guaranties on a medium- to long-term basis to ventures involving significant equity and/or management participation by U.S. businesses. Loan guaranties are typically used for larger projects, while direct loans are reserved for projects involving U.S. small businesses and cooperatives. OPIC can lend up to $200 million per project. OPIC can provide financing on a project finance or a corporate finance basis in countries where commercial financial institutions often are reluctant or unable to lend on such a basis. Rather than relying on sovereign or sponsor guaranties, project finance looks for repayment from the revenues generated by the project itself. Corporate finance looks to the credit of an existing corporate entity other than the project company to support debt repayment. Financing is available for new ventures as well as expansion or modernization of existing, successful operations.

In order to address a lack of sufficient capital available for equity investments in certain regions or sectors in emerging market economies, OPIC has made or guaranteed long-term loans to private direct equity investment funds. By providing access to long-term growth capital, management expertise and new technologies, these direct investment funds act as a catalyst for private sector activity fundamental to the development of market economies. Investments made by these funds also assist U.S. businesses of all sizes by developing new markets and opportunities overseas.

OPIC uses an open and competitive selection process to identify strong financial managers experienced in the targeted markets and in raising capital from private investors. OPIC supplements the underlying equity capital by making or guaranteeing long-term loans to the funds and has attracted major sources of private equity, including pension funds and other institutional investors.

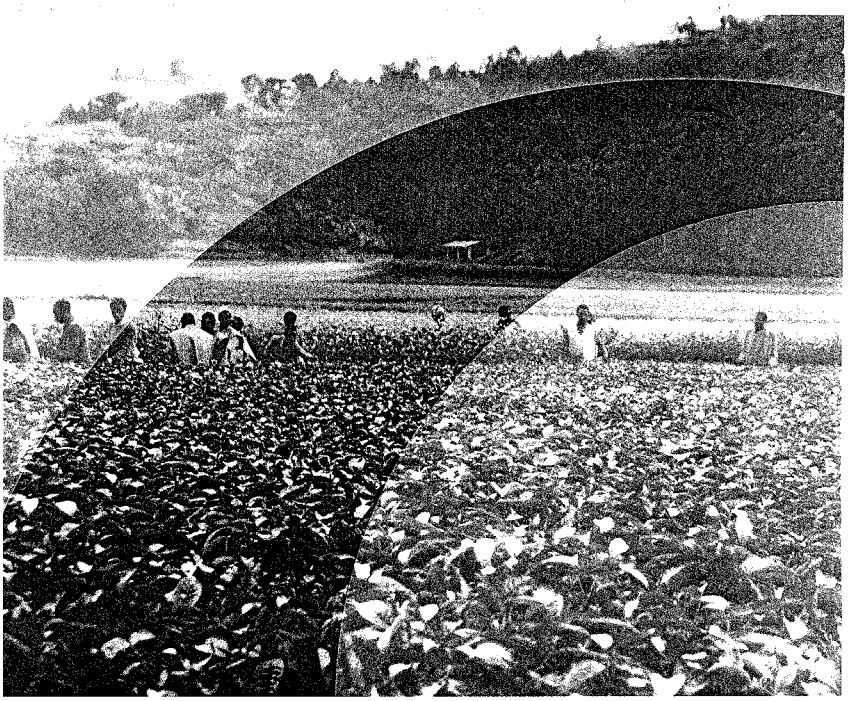
OPIC financing currently supports funds operating in sub-Saharan Africa, North Africa, India, the Middle East, Asia, the Pacific region, Latin America, Central and Eastern Europe and the New Independent States. Four sector-specific funds operate worldwide, three concentrating on environmental projects and one on investments involving U.S.-based small businesses. OPIC-supported funds have helped bring economic development to people in more than 30 developing countries.



Top: OPIC supports communications projects in South Africa and around the world.

Middle: OPIC-supported projects offer opportunities in Morocco.

Bottom: With OPIC support a new source of drinking water is brought to the West Bank.



OPIC's portfolio of projects emphasizes our role as an economic development agency committed to improving people's lives.

Africa and the Middle East

Redefining relationships, creating new partnerships

Despite areas of unrest, democratic transitions and economic reforms in much of Africa and the Middle East have fostered new ways of thinking about these regions. Outdated strategies are being replaced by redefined relationships that are forging new economic partnerships.

OPIC has played an integral part in these partnerships. Our portfolio of projects emphasizes OPIC's role as an economic development agency committed to improving people's lives.

OPIC's partnership in the Jorf Lasfar power project in Morocco has been heralded not only as an important ***foreign policy*** success, but also as Project of the Year by *Project Finance Magazine*. This project, the first private power facility in Morocco, is being developed by CMS Energy Corporation of Dearborn, Michigan and will use $664 million in U.S. goods and services, creating 1,695 American jobs while serving the people of Morocco.

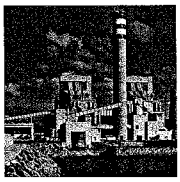
In Jericho, Culligan Water Technologies of Northbrook, Illinois opened its water-bottling project this year. The OPIC-financed venture is bringing a new source of drinking water to the West Bank. OPIC also demonstrated its regional commitment—and rapid response to businesses' needs—when Edison Mission Energy of Irvine, California needed insurance for its bid bond on an Egyptian power project in place within two weeks. OPIC executed coverage in ten days, enabling a U.S. company to bid on the project.

New and modernized bilateral agreements signed with seven African nations—Botswana, Côte d'Ivoire, Equatorial Guinea, Madagascar, Mauritius, São Tomé and Príncipe, and Uganda—now provide a more complete framework for operating OPIC programs in the region, enabling OPIC to be an even more effective ***advocate*** for U.S. companies.

One such agreement with Botswana supported an OPIC–U.S. private sector partnership that is helping to diversify the local economy. OPIC's $4 million commitment to the Gametrackers ecotourism project, part of the Orient Express Group of Hotels, will help expand and upgrade the northern Botswana attraction, develop the country's tourism sector and provide local employment and training.

Struggling to recover from decades of war and strife, Angola has the potential to be one of Africa's leading economies. Helping to achieve that goal, OPIC provided an additional $3 million in political risk insurance to a U.S. ***small business*** expanding its operations into Angola. American Manufacturing & Trading, Inc., is expanding its import-export warehouse and retail outlet business to include battery manufacturing in the capital city of Luanda.

Meanwhile, OPIC's ***innovative*** programs leverage private sector equity to invest in markets where other sources of funds are not available. In response to an initiative announced by President Clinton and a bipartisan group of Members of Congress, OPIC is supporting a new $150 million fund targeting West, East and Central Africa. OPIC also is working on one or more investment funds of up to $500 million to invest in the region's infrastructure.



Top: Ugandan school children interact with President Clinton and the First Lady.

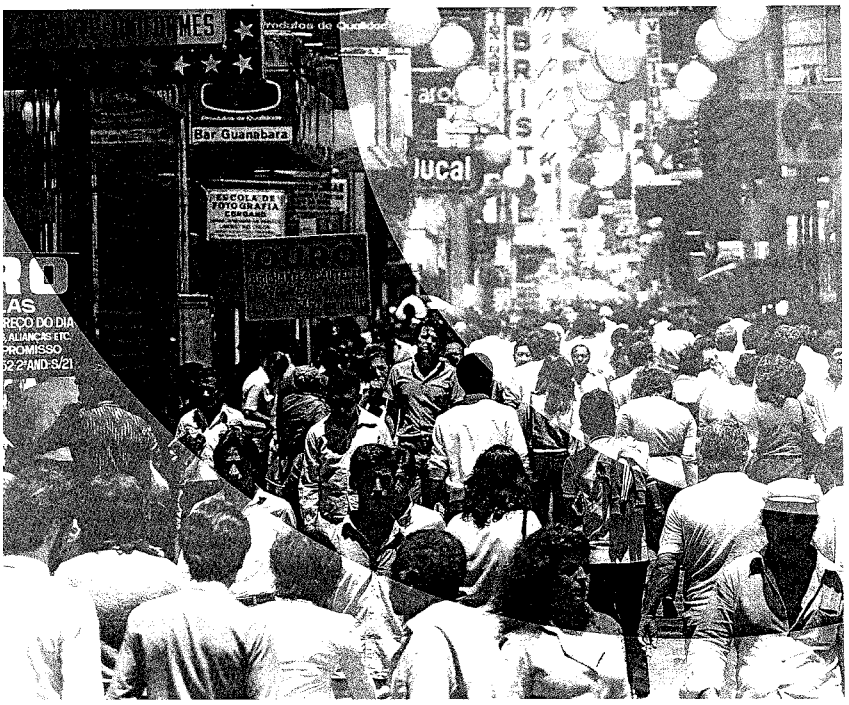
Middle: Morocco's first private power facility is being developed by CMS Energy Corporation of Michigan.

Bottom: An ecotourism project is helping to diversify Botswana's economy.

Opposite: Tea Importers, Inc., a U.S. small business, grows in Rwanda with OPIC support.

The Americas

By targeting services to support the next wave of regional development—consumer needs and small businesses—OPIC is a leader in helping reshape U.S.–Latin American economic relations.



New approaches to pursue new opportunities

As major world markets react to economic uncertainty, all eyes are watching Latin America. How will the United States' strategic neighbor and partner be affected? What new approaches will it take to pursue new opportunities?

By targeting services to support the next wave of regional development—consumer needs and small businesses—OPIC is a leader in helping reshape U.S.–Latin American economic relations.

U.S. producers of wheelchairs and specialty sport wheelchair equipment are selling their products in Argentina thanks to the OPIC-supported South America Private Equity Growth Fund. Argentina's first retail outlet to sell high-quality equipment for the disabled and people undergoing physical therapy is a subsidiary of a Fund investment. The company is also a supporter of the Pan-American Wheelchair Games.

Spearheading U.S. ***foreign policy*** efforts to encourage Haitian economic development, OPIC signed a revised bilateral agreement paving the way for a Kansas-based company to participate in Haiti's first privatization of a state-owned enterprise. OPIC sold $8.1 million in political risk insurance to Seaboard Corporation for its investment in a Haitian flour mill and animal feed project. The venture will reactivate the flour mill using U.S.-made agriculture equipment, employ more than 200 local workers and provide a new source of local food.

For Tea Importers, Inc., a tea grower and processor, OPIC support is an important part of doing business. Following on its work in Central Africa, a long-standing investment covered by OPIC insurance, this ***small business*** based in Westport, Connecticut, is expanding into Latin America. With $500,000 in OPIC political risk insurance, the company is establishing tea production and trading operations in Ecuador.

Working together, OPIC and Citibank, N.A., have structured an ***innovative*** solution for medium- and long-term financing needs in Central America and the Caribbean—a region comprised of mostly small economies. A $200 million credit facility, backed with $100 million in OPIC financing and $150 million in OPIC insurance, will be able to make loans to projects in more than twenty eligible nations. This new project will help small- and medium-sized businesses gain access to long-term financing for many years to come.

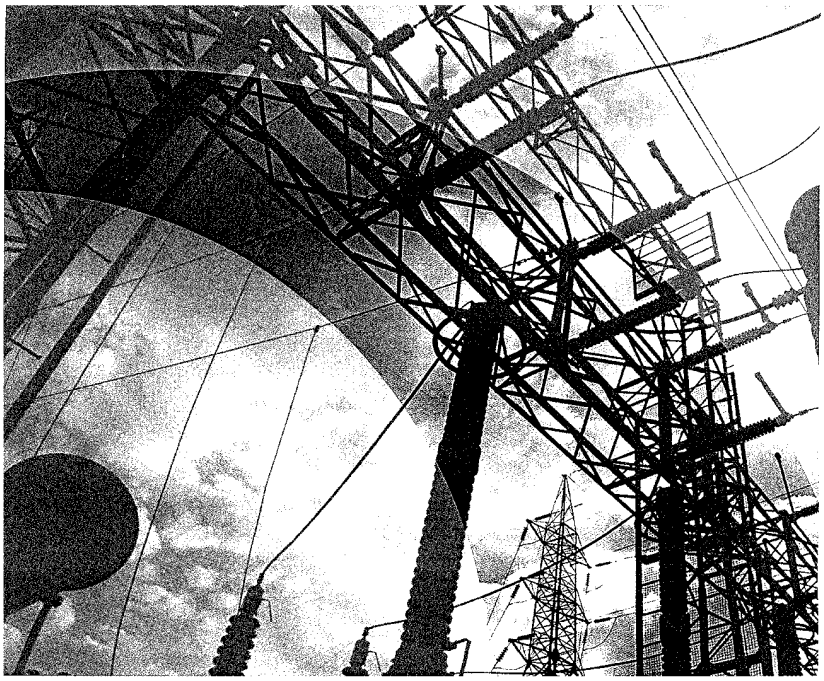
And in Brazil, OPIC supported Houston-based Enron Oil & Gas Company in its work to meet the country's growing energy demands. More than $200 million in insurance for three separate Enron power projects will bring reliable power generation, transmission and distribution systems to Brazil. These projects will help maximize the use of natural gas, a cleaner, less carbon-intensive alternative to some other conventional fuels.

Top: OPIC supports agribusiness projects in Latin America.

Middle: OPIC President Muñoz discusses business opportunities with Haitian President René Préval (right).

Bottom: U.S.-made equipment benefits Argentinians.

Opposite: Growing markets create new demand for OPIC projects.



As financial markets began drying up, a prudent and responsive OPIC continued offering services to commercially sound projects to help restore financial stability and protect U.S. economic interests.

Asia and the Pacific

Long-term solutions for long-term recovery

In July 1997, Thailand devalued its currency, setting off an economic crisis that seemed to level at once some of the world's most promising and poorest economies.

As financial markets began drying up for the region, a prudent and responsive OPIC continued offering services to commercially sound projects to help restore financial stability and protect U.S. economic interests. And when ***foreign policy*** priorities triggered a U.S. response, OPIC was there, a forceful advocate on behalf of America's strategic interests.

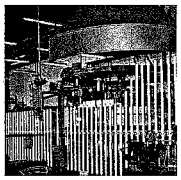
During a state visit by Republic of Korea President Kim Dae Jung, President Clinton described the reopening of OPIC's programs in that country as "the most important thing I can do as the United States President and the friend of Korea." Normalization of relations between the U.S. and Vietnam laid the groundwork for OPIC to support its first new investment there in two decades. OPIC committed $4.7 million to Vietnam Advanced Lighting, a Solon, Ohio ***small business*** that has partnered with a Vietnamese company to open a facility to manufacture energy efficient metal halide lamp and lighting systems in Ho Chi Minh City.

Acting in cooperation with the Japanese Ministry of International Trade and Industry, OPIC's ***innovative*** approach is helping U.S. companies build the 700-megawatt Tri-Energy power plant in Thailand. OPIC underwrote nine political risk insurance contracts worth $185.7 million including policies that, for the first time, cover interest rate swaps. Edison Mission Energy of California and Texaco Inc., of New York are the U.S. equity investors in the project. New York-based Citibank, N.A., and North Carolina-based NationsBank, N.A., provided financing to this project that will play a critical role in U.S.–Thai efforts to bolster the local economy while maximizing the use of clean-burning natural gas.

Through the OPIC-supported Asia Development Partners investment fund, OPIC has helped to make $150 million available for investment in ten regional economies: Bangladesh, Cambodia, India, Indonesia, Korea, Laos, Philippines, Sri Lanka, Thailand and Vietnam. The Fund is targeting investments in key sectors including consumer products, financial services, agribusiness and infrastructure.

Advocating on behalf of a committed and active U.S. business community in Asia, OPIC President and CEO George Muñoz met with key regional leaders to call for institutional reforms that will be instrumental in attracting and maintaining long-term investment.

Detonation of nuclear weapons in India and Pakistan triggered the temporary closing of OPIC's programs in these countries where American companies are involved in key development projects. OPIC committed $10 million in financing and $6 million in political risk insurance to a U.S. small business, Dodson-Lindblom International, Inc., of Columbus, Ohio, that is working to rehabilitate, construct and operate a 12-megawatt hydropower station in the Indian State of Maharashtra.



Source: Christopher Aldrich

Top: Clinton-Kim Summit announces reopening of OPIC programs in S. Korea.

Middle: Normalized relations with Vietnam light the way for new OPIC partnerships.

Bottom: U.S. Senators Kerry (D-MA) and McCain (R-AZ) witness signing of OPIC-Vietnam bilateral agreement.

Opposite: OPIC products support infrastructure development.

Europe and the New Independent States

With an eye on the future, OPIC safeguarded its existing portfolio and advocated on behalf of long-term investments essential to regional stability.

Eyeing the future, investing for stability

In a region that has undergone sweeping changes in the past decade, this year was no exception. Despite significant progress toward open and free markets, events in Russia and in Central and Eastern Europe once again focused attention on the need for regional economic and political reforms.

With an eye on the future, OPIC safeguarded its existing portfolio and ***advocated*** on behalf of long-term investments essential to regional stability.

OPIC, the U.S. Trade and Development Agency and the U.S. Export-Import Bank joined forces as part of a major U.S. economic and ***foreign policy*** effort to support commercially sound energy projects in the Caspian region. The Caspian Initiative will foster regional prosperity and security while providing new opportunities for U.S. companies. To develop important ancillary sectors in the region, OPIC joined forces with two Boston-based firms to form a $92 million fund that will make equity available for private sector projects in Armenia, Azerbaijan and Georgia.

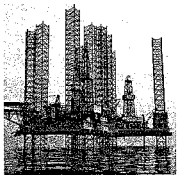
The historic Sakhalin Energy project in the Russian Far East progressed this year thanks in part to an OPIC partnership with Marathon Oil Company of Houston, Texas. OPIC made its first financial disbursement to Sakhalin II, the first major oil and gas project being developed under Russia's production sharing agreement legislation. In developing offshore oil and gas reserves near Sakhalin Island, this ***innovative*** project is expected to purchase $270 million in U.S. goods and services and support about 1,000 American jobs.

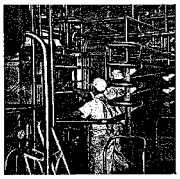
OPIC first supported a cellular telecommunications project in Lithuania known as Omnitel in 1996 at the request of two American businessmen of Lithuanian heritage. Two years later, OPIC's first loan has been fully disbursed, and the company is providing state-of-the-art telecommunications services covering more than 90 percent of Lithuania. This year, OPIC committed a new $7 million direct loan to Omnitel, enabling the company to expand its network capacity and double subscriber levels by the year 2000.

To bring basic foods to people in the former Soviet Union, an OPIC-backed investment fund, Agribusiness Partners International, L.P., of Nebraska, has been investing alongside a Minnesota small business in regional dairies and cheese factories. The local companies make yogurt, cheese and other dairy products, putting underutilized milk producers to work.

A Delaware ***small business,*** the Winner Group, is opening new roads for American cars in the former Soviet Union. Winner negotiated Ford Motor Company distribution rights and the responsibility to develop a dealer network in Ukraine. A $6.5 million OPIC direct loan will finance the construction and operation of a car dealership in Kiev that is expected to generate more than $18 million in U.S. exports and employ 200 locally.

And in Uzbekistan, where demand for telecommunications services exceeds supply, OPIC political risk insurance helped MCT Investors, L.P., a small business based in Alexandria, Virginia, obtain financing to bring its digital cellular technology to 23.5 million people.



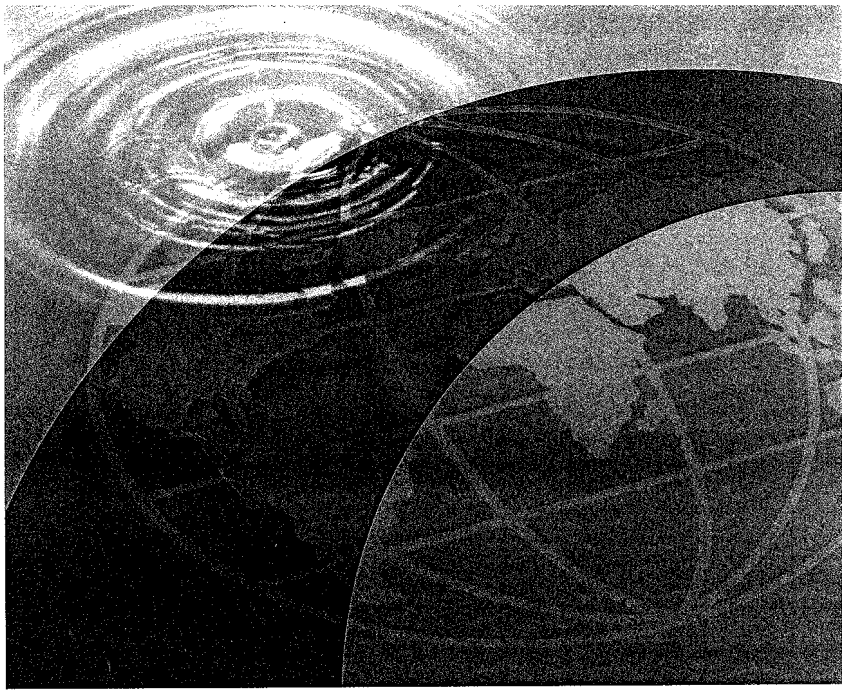


Top: A telecommunications venture in Lithuania grows with OPIC's help.

Middle: Caspian Initiative will provide new opportunities for U.S. companies.

Bottom: Western technology assists dairy industry development in the former Soviet Union.

Opposite: OPIC and the Winner Group establish new inroads for U.S. cars in Ukraine.



No matter the global investment challenge, OPIC continues to develop innovative solutions that serve America's long-term economic and strategic interests.

Innovative Solutions for Global Challenges

Innovations

Challenge: How can OPIC continue to mobilize and facilitate U.S. private sector investment in expanding markets around the world?

Innovation: In 1998, OPIC negotiated new bilateral agreements with 13 countries that either reopened or streamlined OPIC services for American businesses in key countries in Africa, Latin America, Asia and Europe.

Challenge: What can be done to keep pace with a U.S. business community that spans every continent and time zone on the globe?

Innovation: OPIC's newly updated web site, www.opic.gov, is a state-of-the-art tool that offers easy access to OPIC information around the clock. With information in several languages, on-line applications and detailed program descriptions, the site makes strategic information always available.

Challenge: What can be done to engage smaller American businesses in emerging and developing market investment opportunities?

Innovation: OPIC offers specialized programs for U.S. small businesses interested in taking their business and expertise global. In 1998, more than half of all OPIC finance transactions involved U.S. small businesses. These companies benefited from services specifically designed for them, such as direct loans and streamlined applications. And by entering into new partnerships, as OPIC did with the State of California, OPIC hopes to connect with even more enterprising businesses in need of OPIC services that can help them compete globally.

Challenge: Rapidly changing developments in the international housing sector are opening opportunities for private sector investment. How can we help American industry compete?

Innovation: Building alliances with U.S. mortgage finance companies and other related housing businesses, OPIC is gearing up to support U.S. investment in international housing ventures. By tailoring traditional OPIC political risk insurance and financing, OPIC expects to play an increasing role in this growing investment sector.

Challenge: A majority of the world's population lives without adequate sanitation, and 40 percent lacks safe drinking water. How can we address this critical development sector?

Innovation: OPIC supports a $300 million global investment fund, Aqua International Partners, L.P., designed to make direct equity investments in companies involved in the treatment, bulk supply and distribution of water in emerging markets. In 1998, a political risk insurance policy went into effect for OPIC's first water sector project. A privatized water system in Asia, this project is providing important water treatment, distribution and sewage services.

Challenge: Emerging market deals can require a variety of financing sources. What can be done to encourage different financing sources to support U.S. investment around the globe?

Innovation: OPIC developed a political risk insurance product to insure bonds used to finance infrastructure and other development projects in emerging markets.

American businesses of all sizes

working with developing countries

around the world results in a global

need for OPIC products and services

that are delivered at no net cost

to the U.S. taxpayer.

1998 Investment Projects

Company[1,2]	Project Description	Support Amount[3]	Support Type
AFRICA AND THE MIDDLE EAST			
Angola			
American Manufacturing & Trading, Inc.	Battery manufacturing	$ 3,000,000	Insurance
J.P. Morgan Securities, Ltd.	Oil field development	200,000,000	Insurance
Botswana			
Orient-Express Hotels, Inc. / Sea Containers, Ltd. (Orient-Express Hotels, Inc.)	Camping and lodging facilities	4,000,000	Finance
Egypt			
Edison Mission Energy	Power generation	5,850,000	Insurance
THE AMERICAS			
Brazil			
Citibank, N.A.	Financial services	12,540,175	Insurance
Citibank, N.A.	Financial services	42,400,000	Insurance
Enron Oil & Gas Company	Natural gas pipeline	13,000,000	Insurance
Enron Oil & Gas Company	Power generation	200,000,000	Insurance
Enron Oil & Gas Company	Power generation	50,000,000	Insurance
Caribbean & Central America (Regional)			
Citibank, N.A.[4] (Citibank Credit Facility)	On-lending credit facility	100,000,000 150,000,000	Finance Insurance
Colombia			
Marriott International, Inc. (Bogota Marriott Hotel)	Hotel	24,000,000	Finance
Chase Manhattan Bank, N.A.	Telecommunications	200,000,000	Insurance
Citibank, N.A.	Printing facilities	8,019,750	Insurance
Ecuador			
First Republic Corporation of America (Marchelot, S.A.)	Shrimp farm	5,600,000	Finance
Tea Importers, Inc.	Tea factory	500,000	Insurance

[1] This list shows all new, expansion or modernization projects insured and/or financed by OPIC in fiscal year 1998.

[2] Companies listed are the U.S. project sponsors. The name of the joint venture company or investment fund company appears in parentheses immediately following the U.S. partner(s) in the project.

[3] For insurance, this figure is the highest maximum insured amount. For finance, this figure is the dollar amount committed.

[4] Eligible countries include: Anguilla, Antigua & Barbuda, Aruba, Bahamas, Barbados, Belize, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Honduras, Jamaica, Netherlands Antilles, Nicaragua, Panama, St. Kitts & St. Nevis, St. Lucia, St. Vincent & The Grenadines, Suriname and Trinidad & Tobago.

Company[1,2]	Project Description	Support Amount[3]	Support Type
Guatemala			
Energía Global International, Ltd. (Tecnoguat, S.A.)	Power generation	$ 20,000,000	Finance
Marriott International, Inc.	Hotel	919,000	Insurance
Haiti			
Seaboard Overseas, Ltd.	Flour mill	8,100,000	Insurance
Jamaica			
Rose Hall Resort Limited (Rose Hall Resort, L.P.)	Hotel	60,000,000	Finance
Citibank, N.A.	Hotel	708,406	Insurance
Peru			
Citibank, N.A.	Financial services	25,200,000	Insurance
Citibank, N.A.	Financial services	25,200,000	Insurance
Citibank, N.A.	Financial services	63,000,000	Insurance
Trinidad & Tobago			
Citibank, N.A.	Financial services	59,000,000	Insurance
Venezuela			
Enron Oil & Gas Company (Accroven SRL)	Natural gas processing and storage facility	200,000,000 200,000,000	Finance Insurance
ASIA AND THE PACIFIC			
Bangladesh			
Ogden Energy Group, Inc. / El Paso Energy International Company / Wartsila NSD North America, Inc. (NEPC Consortium Power, Ltd.)	Power generation	87,000,000	Finance
India			
Dodson-Lindblom International, Inc. (Dodson-Lindblom Hydro Power Private, Ltd.)	Power generation	10,000,000 6,000,000	Finance Insurance
Citibank, N.A.	Power generation	165,000,000	Insurance
Philippines			
Chance Industries, Inc. / E.K. Fernandez Shows, Inc.	Amusement park entertainment systems	3,000,000	Finance
Pacific Entertainment, L.L.C. / Amusement Industry Financial Corporation (Centennial Entertainment Corporation)		2,400,000	Insurance
Texaco Inc. / Edison Mission Energy (San Pascual Cogeneration Company, Ltd.)	Power generation	80,000,000 58,792,500	Finance Insurance
Enron Oil & Gas Company	Power generation	16,323,000	Insurance
Thailand			
Citibank, N.A. / Edison Mission Energy / NationsBank, N.A. / Texaco Inc.	Power generation	185,716,750	Insurance
Vietnam			
Advanced Lighting Technologies, Inc. (Vietnam Advanced Lighting, Ltd.)	Metal halide lamp manufacturing	4,700,000	Finance

Company[1,2]	Project Description	Support Amount[3]	Support Type
EUROPE AND THE NEW INDEPENDENT STATES			
Caucasus (Regional)			
Junction Investors, Limited / Commonwealth Property Investors, L.L.C. (The Caucasus Fund, L.L.C.)	Investment fund for Armenia, Azerbaijan and Georgia	$ 60,000,000	Finance
Estonia			
Pepsi-Cola General Bottlers, Inc.	Soft drink bottling and distribution	10,800,000	Insurance
Georgia			
Conlan & Associates, Ltd. (Georgian Hospitality, Ltd.)	Hotel	20,000,000	Finance
Latvia			
Pepsi-Cola General Bottlers, Inc.	Soft drink bottling and distribution	21,600,000	Insurance
Lithuania			
Pepsi-Cola General Bottlers, Inc.	Soft drink bottling and distribution	16,470,000	Insurance
Victor Gruodis / John Kazickas / Motorola, Inc.	Telecommunications	7,000,000	Finance
Moldova			
Costilla Energy, Inc. (Resource Development Company Limited, L.L.C.)	Development and production of oil and gas fields	3,300,000	Finance
Russia			
Citibank, N.A.	Financial services	135,000,000	Insurance
Turkey			
NationsBank, N.A.	Power generation	50,000,000	Insurance
NRGenerating International, B.V.	Power generation	562,500	Insurance
Ukraine			
Winner Group Ukraine, Inc. (Winner Imports, Ltd.)	Automobile dealership and facilities	6,454,500	Finance
E.I. Corporation	Kaolin-based products	9,275,000	Insurance
Qualcomm, Incorporated	Telecommunications	85,000,000	Insurance
Uzbekistan			
MCT of Russia, L.P. / MCT of the CIS, L.P.	Telecommunications	33,173,700	Insurance

OPIC Countries and Areas

OPIC programs encourage U.S. private investment in some 140 countries and areas around the world, contributing to economic growth at home and abroad.

Africa and the Middle East

Algeria
Angola
Bahrain
Benin
Botswana
Burkina Faso
Cameroon
Cape Verde
Central African Republic
Chad
Congo
Congo, Democratic Republic of
Côte d'Ivoire
Djibouti
Egypt
Equatorial Guinea
Eritrea
Ethiopia
Gabon
Ghana
Guinea
Guinea-Bissau
Israel
Jordan
Kenya
Kuwait
Lebanon
Lesotho
Madagascar
Malawi
Mali
Mauritius
Morocco
Mozambique
Namibia
Oman
Rwanda
São Tomé & Príncipe
Senegal
Sierra Leone
Somalia
South Africa
Swaziland
Tanzania
Togo
Tunisia
Uganda
West Bank & Gaza
Yemen
Zambia
Zimbabwe

The Americas

Anguilla
Antigua & Barbuda
Argentina
Aruba
Bahamas
Barbados
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Dominica
Dominican Republic
Ecuador
El Salvador
French Guiana
Guatemala
Grenada
Guyana
Haiti
Honduras
Jamaica
Netherlands Antilles
Nicaragua
Panama
Paraguay
Peru
Saint Kitts & Nevis
Saint Lucia
Saint Vincent & The Grenadines
Suriname
Trinidad & Tobago
Uruguay
Venezuela

Countries and areas where OPIC programs are available

Asia and the Pacific

Bangladesh
Cambodia
Cook Islands
Fiji
India
Indonesia
Kiribati
Korea
Laos
Malaysia
Marshall Islands
Micronesia, Federated States of
Mongolia
Nepal
Pakistan
Papua New Guinea
Philippines
Singapore
Sri Lanka
Taiwan
Thailand
Tonga
Vietnam
Western Samoa

Europe and the New Independent States

Albania
Armenia
Azerbaijan
Belarus
Bosnia & Herzegovina
Bulgaria
Croatia
Cyprus
Czech Republic
Estonia
Georgia
Greece
Hungary
Ireland
Kazakhstan
Kyrgyzstan
Latvia
Lithuania
Macedonia, Former Yugoslav Republic of
Malta
Moldova
Northern Ireland
Poland
Portugal
Romania
Russia
Slovakia
Slovenia
Tajikistan
Turkey
Turkmenistan
Ukraine
Uzbekistan

OPIC programs are generally available in the countries and areas listed above. From time to time, statutory and policy constraints may limit the availability of OPIC programs in certain countries, or countries where programs were previously unavailable may become eligible. Investors are urged to contact OPIC directly for up-to-date information regarding availability of OPIC services in specific countries, as well as information on program availability in countries not listed.

OPIC Clients

OPIC's clients come from across the United States and represent large and small companies from virtually every industrial sector. Below is a representative list of these companies.

Abbott Laboratories
Abbott Park, Illinois

ACON Partners
Washington, D.C.

Advanced Lighting Technologies, Inc.
Solon, Ohio

AES Corporation
Arlington, Virginia

African Communications Group, Inc.
Cambridge, Massachusetts

Agro Management Group, Inc.
Berkeley, California

Aguaytia Energy, L.L.C.
Dallas, Texas

AIG Millennium G.P., L.L.C.
New York, New York

Air Products & Chemicals, Inc.
Allentown, Pennsylvania

Alliant Techsystems, Inc.
Hopkins, Minnesota

Allied Capital Corporation
Washington, D.C.

America First Companies
Omaha, Nebraska

American Manufacturing & Trading, Inc.
Santa Fe Springs, California

American President Lines, Ltd.
Oakland, California

Amicale Mongolia, Inc.
New York, New York

Anderman/Smith Overseas, Inc.
Denver, Colorado

Andrew Corporation
Orland Park, Illinois

Anheuser Busch International, Inc.
St. Louis, Missouri

Ardaman & Associates, Inc.
Orlando, Florida

Asia Development Partners, L.P.
New York, New York

Ball Corporation
Muncie, Indiana

BancOne Capital Corporation
Columbus, Ohio

Bancroft Group
Washington, D.C.

Battle Mountain Gold Company
Houston, Texas

Bechtel Corporation, Inc.
San Francisco, California

Belfinance Haussmann, L.L.C.
New York, New York

BellSouth Enterprises, Inc.
Atlanta, Georgia

BEn MWSS Holdings, Ltd.
San Francisco, California

BHP Finance International, Inc.
San Francisco, California

Braswell Services Group, Inc.
Charleston, South Carolina

Brotech Corporation
Bala Cynwyd, Pennsylvania

C & W Trading Company, Inc.
Westport, Connecticut

Cabot Corporation
Boston, Massachusetts

CalEnergy Company, Inc.
Omaha, Nebraska

Camco International, Inc.
Houston, Texas

Campbell Soup Company
Camden, New Jersey

Capital Investment Management Corporation
McLean, Virginia

Caterpillar, Inc.
Peoria, Illinois

CEA San Nicolas, Inc.
Ridgewood, New Jersey

Chance Industries, Inc.
Wichita, Kansas

Chaparral Resources, Inc.
Denver, Colorado

Chase Manhattan Bank, N.A.
New York, New York

Chicago International Corporation, Ltd.
Palatine, Illinois

CIBC Oppenheimer & Company
New York, New York

Citibank, N.A.
New York, New York

CMS Energy Company
Dearborn, Michigan

CMS Nomeco International Equatorial Guinea, Inc.
Houston, Texas

Coastal Power Company
Houston, Texas

The Coca-Cola Company
Atlanta, Georgia

Comcast Corporation
Philadelphia, Pennsylvania

Commonwealth Property Investors, L.L.C.
Boston, Massachusetts

Conair Corporation
East Windsor, New Jersey

Conlan & Associates, Ltd.
Herndon, Virginia

Conoco International Petroleum Company
Houston, Texas

Conrad International Investment Corporation
Beverly Hills, California

Constellation Power International Investments, Ltd.
Baltimore, Maryland

Continental Enterprises, Ltd.
New York, New York

Continental Grain Company
New York, New York

Costilla Energy, Inc.
Midland, Texas

Crosby International Enterprises, L.L.C.
Grand Isle, Louisiana

Crown Cork & Seal Company, Inc.
Philadelphia, Pennsylvania

CSW International, Inc.
Dallas, Texas

Culligan International Company
Northbrook, Illinois

Cyprus Amax Minerals Company, Inc.
Golden, Colorado

Denver & Ephrata Telephone & Telegraph Company
Ephrata, Pennsylvania

Dillingham Construction International, Inc.
Pleasanton, California

Direct Net Telecommunications, L.L.C.
Newport Beach, California

Dodson-Lindblom International, Inc.
Columbus, Ohio

Dominion Energy, Inc.
Richmond, Virginia

Draper International
San Francisco, California

Dresser Industries, Inc.
Dallas, Texas

Durametallic Corporation
Kalamazoo, Michigan

E. K. Fernandez Shows, Inc.
Kapolei, Hawaii

E.I. Corporation
Iselin, New Jersey

E.I. Du Pont de Nemours & Company
Houston, Texas

Edison Mission Energy
Irvine, California

EIF Costa Rica, L.L.C.
Boston, Massachusetts

El Camino Resources International, Inc.
Woodland Hills, California

El Paso Energy International Company
Houston, Texas

El Paso Tennessee Pipeline Company
Houston, Texas

Ellicott Machine Corporation
Baltimore, Maryland

Energia Global International, Ltd.
Wakefield, Massachusetts

Energy Investors Funds II, L.P.
Boston, Massachusetts

Engelhard Corporation
Iselin, New Jersey

Enron Oil & Gas Company
Houston, Texas

Environmental Systems Corporation
Knoxville, Tennessee

EPEC Cogeneration Company
Houston, Texas

EPED Holding Company
Houston, Texas

Equator Holdings, Ltd.
Hartford, Connecticut

Euro Enterprises Company, Inc.
Los Angeles, California

F C Schaffer & Associates, Inc.
Baton Rouge, Louisiana

Ferro Corporation
Cleveland, Ohio

First National Bank of Boston
Boston, Massachusetts

First Republic Corporation of America
New York, New York

Fluor Corporation
Irvine, California

FMC Corporation
Chicago, Illinois

Foodpro International, Inc.
San Jose, California

Ford Motor Company
Dearborn, Michigan

Foster Wheeler Corporation
Clinton, New Jersey

Fusion Enterprises, Inc.
Waterbury, Connecticut

G.D. Searle & Company
Skokie, Illinois

Garnet Resources Corporation
Houston, Texas

GEF Management Group
Washington, D.C.

General Dynamics Corporation
Falls Church, Virginia

General Electric Capital Corporation
Stamford, Connecticut

General Electric Company
Fairfield, Connecticut

General Motors Corporation
Detroit, Michigan

Generation Ukraine, Inc.
Wolfeboro, New Hampshire

Global Forestry Management Group
Portland, Oregon

Golub & Company
Chicago, Illinois

GPU International, Inc.
Parsippany, New Jersey

Great America Life Corporation
New York, New York

GTE Corporation
Stamford, Connecticut

Hambrecht & Quist Asia Pacific, Inc.
San Francisco, California

Harris Corporation
Melbourne, Florida

HBR Energy, Inc.
Wilmington, Delaware

Hilton Hotels Corporation
Beverly Hills, California

Houston Industries Energy Cayman, Inc.
Houston, Texas

Hyatt International Corporation
Chicago, Illinois

Illinova Generating Company
Decatur, Illinois

Ingersoll Rand Company
Woodcliff Lake, New Jersey

InterArab Management, L.L.C.
Portola Valley, California

International Paper Company
Purchase, New York

Interstate Foods/Fresh Start Bakeries, L.P.
Lisle, Illinois

Intertel El Salvador, L.L.C.
Jackson, Mississippi

Intertel Nicaragua, L.L.C.
Jackson, Mississippi

IRCI Corporation
Wilmington, Delaware

ITT Corporation
New York, New York

J.M. Huber Corporation
Edison, New Jersey

J.P. Morgan Securities, Ltd.
New York, New York

J.I. Case Company
Racine, Wisconsin

John Hancock Mutual Life Insurance Company
Boston, Massachusetts

Junction Investors, Limited
Boston, Massachusetts

K & M Engineering & Consulting Corporation
Washington, D.C.

Kerr McGee Chemical Corporation
Oklahoma City, Oklahoma

Kiewit Energy Company
Omaha, Nebraska

Kimberly Clark Corporation
Dallas, Texas

KMR Corporation
Arlington, Virginia

Landon Butler & Company
Washington, D.C.

Lapp Insulator Company
LeRoy, New York

Leathertouch Fabrics International, Inc.
Conshohocken, Pennsylvania

Levon Travel Bureau, Inc.
Los Angeles, California

Los Amigos Leasing Company, Ltd.
Parsippany, New Jersey

Louis Berger International, Inc.
East Orange, New Jersey

Magma Netherlands, B.V.
Omaha, Nebraska

Mallon Minerals Corporation
Denver, Colorado

Marathon Oil Company
Houston, Texas

Marriott International, Inc.
Bethesda, Maryland

Mars, Inc.
McLean, Virginia

McDonald's Corporation
Oakbrook, Illinois

MCN Energy Group, Inc.
Detroit, Michigan

MCT Investors, L.P.
Alexandria, Virginia

MediaOne Group
Englewood, Colorado

Metl-Span Corporation
Lewisville, Texas

M-I Drilling Fluids Company
Houston, Texas

MIR Partnership
Brewster, New York

Modern Africa Growth & Investment Company, L.L.C.
Washington, D.C.

Morgan Stanley Group, Inc.
New York, New York

Motorola, Inc.
Schaumburg, Illinois

N C International Co.
Seattle, Washington

Nabors Drilling International, Ltd.
Houston, Texas

NationsBank Corporation
Charlotte, North Carolina

NCH Advisors
New York, New York

New York Life Insurance Company
New York, New York

Newmont Gold Company
Denver, Colorado

NRGenerating International, B.V.
Minneapolis, Minnesota

Nuevo Energy Company
Houston, Texas

Ochoco Lumber Company
Prineville, Oregon

Ogden Energy Group, Inc.
Washington, D.C.

Orient-Express Hotels, Inc.
New York, New York

OSI Industries, Inc.
Aurora, Illinois

PADCO, Inc.
Washington, D.C.

Pan American Life Insurance Company
New Orleans, Louisiana

Pepsi-Cola General Bottlers, Inc.
Rolling Meadows, Illinois

Perini International Corporation
Framingham, Massachusetts

Phelps Dodge Corporation
Phoenix, Arizona

Pioneer Group, L.L.C.
Boston, Massachusetts

Pride Petroleum Services, Inc.
Houston, Texas

Puerto Quetzal Power Corporation
Houston, Texas

Pushpa Polymers Private, Ltd.
Torrance, California

Qualcomm, Incorporated
San Diego, California

Raymond James Financial, Inc.
St. Petersburg, Florida

Readers Digest Association, Inc.
Pleasantville, New York

Resources Industries, Ltd.
Baton Rouge, Louisiana

Reynolds International, Inc.
Richmond, Virginia

Rose Hall Resort Limited
Wilmington, Delaware

Samson International, Ltd.
Tulsa, Oklahoma

Schering Overseas, Ltd.
Kenilworth, New Jersey

Science Applications International Corporation
San Diego, California

Seaboard Overseas, Ltd.
Shawnee Mission, Kansas

Sheraton International, Inc.
Boston, Massachusetts

Siguler Guff & Company
New York, New York

Sloan Financial Group
Durham, North Carolina

SOCO International
Fort Worth, Texas

Soros Group
New York, New York

Sovlink Corporation
New York, New York

State Street Bank & Trust Company
Boston, Massachusetts

Sustainable Forest Systems, L.P.
Incline Village, Nevada

T C W Asset Management Company
Houston, Texas

T K Tel, Ltd.
Washington, D.C.

Tarrant Partners
San Francisco, California

Tea Importers, Inc.
Westport, Connecticut

Teachers Insurance and Annuity Association of America
New York, New York

TECO Power Services Corporation
Tampa, Florida

Telecel U.S.A., Ltd.
Reston, Virginia

Templeton Direct Advisors
Greenwich, Connecticut

Termovalle Investment Company, L.C.
Arlington, Virginia

Texaco Inc.
White Plains, New York

The Chase Manhattan Bank, N.A.
New York, New York

The Purolite Company
Bala Cynwyd, Pennsylvania

TII Industries, Inc.
Copiague, New York

Union Carbide Corporation
Danbury, Connecticut

Union Texas Petroleum Holdings, Inc.
Houston, Texas

United Fruit Company
St. Louis, Missouri

Universal Foods Corporation
Milwaukee, Wisconsin

Unocal Corporation
El Segundo, California

US WEST, Inc.
Englewood, Colorado

Volt-Autologic Directories, S.A.
New York, New York

W.R. Grace & Company
Stamford, Connecticut

Walter International, Inc.
Houston, Texas

Warner Lambert Company
Morris Plains, New Jersey

Westsphere Capital Associates
New York, New York

Westworld, Inc.
Houston, Texas

Whitman Corporation
Rolling Meadows, Illinois

Williams Holdings of Delaware, Inc.
Tulsa, Oklahoma

Wing International, Ltd.
The Woodlands, Texas

Winner Group Ukraine, Inc.
Wilmington, Delaware

Wood Industries International, Ltd.
Greenwich, Connecticut

Worldwide Jewelry Corporation
New York, New York

WRB Enterprises
Tampa, Florida

PRICEWATERHOUSECOOPERS

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1616 North Fort Myer Drive
Arlington VA 22209-3195
Telephone (703) 741-1000
Facsimile (703) 741 1616

Report of Independent Accountants

To the Board of Directors
Overseas Private Investment Corporation

We have audited the accompanying balance sheets of the Overseas Private Investment Corporation (OPIC) as of September 30, 1998 and 1997, and the related statements of income, capital and retained earnings, and of cash flows for the years then ended. These financial statements are the responsibility of OPIC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of OPIC at September 30, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 1999 on our consideration of OPIC's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

PricewaterhouseCoopers LLP
Arlington, Virginia
February 5, 1999

Balance Sheet

Overseas Private Investment Corporation

At September 30 (dollars in thousands)

	1998	1997
Assets		
Cash and investments:		
Cash (Note 4)	$ 531,897	$ 535,933
U.S. Treasury securities, at amortized cost plus accrued interest (Notes 2 & 7)	3,038,757	2,731,922
	3,570,654	3,367,855
Direct loans outstanding of $68,403 and $91,872 less allowance for uncollectible loans of $7,337 and $8,449 in FY 1998 and FY 1997 (Notes 2 & 10)	61,066	83,423
Accounts receivable resulting from investment guaranties of $35,220 and $44,380 less allowance for doubtful recoveries of $17,805 and $16,731 in FY 1998 and FY 1997 (Notes 2 & 11)	17,415	27,649
Assets acquired in insurance claims settlements of $16,131 and $10,256 less allowance for doubtful recoveries of $11,206 and $7,875 in FY 1998 and FY 1997 (Notes2 & 11)	4,925	2,381
Accrued interest and fees	12,470	11,443
Accounts receivable	862	885
Furniture, equipment and leasehold improvements at cost less accumulated depreciation and amortization of $6,599 in FY 1998 and $8,037 in FY 1997 (Notes 2 & 15)	18,712	14,436
Total Assets	$ 3,686,104	$ 3,408,072
Liabilities, Capital and Retained Earnings		
Liabilities:		
Reserve for political risk insurance (Note 2)	$ 165,000	$ 130,000
Reserve for investment guaranties (Note 2)	280,000	140,000
Accounts payable and accrued expenses	40,100	37,760
Borrowings from U.S. Treasury and related interest (Note 6)	68,111	87,821
Unearned premiums	30,573	31,517
Deferred income and rent incentives from lessor of $19,605 and $17,075 net of accumulated amortization of $5,879 and $4,927 in FY 1998 and FY 1997 (Note 15)	13,726	12,148
	597,510	439,246
Contingent liabilities (Notes 9, 10, 18 & 19)		
Capital and retained earnings:		
Contributed capital	50,000	50,000
Credit appropriations (Note 5)	191,563	237,501
Retained earnings statutorily reserved:		
Insurance (Notes 9 & 12)	1,850,570	1,742,861
Guaranty (Notes 10 & 12)	996,461	938,464
	3,088,594	2,968,826
Total Liabilities, Capital and Retained Earnings	$ 3,686,104	$ 3,408,072

The accompanying notes are an integral part of the financial statements.

Statement of Income

Overseas Private Investment Corporation

For the years ended September 30 (dollars in thousands)

	1998	1997
Revenues		
Political risk insurance (Note 9)	$ 88,982	$ 88,509
Investment financing	72,499	63,286
Other operating income	10,694	4,863
Interest on U.S. Treasury securities	193,642	178,187
	365,817	334,845
Expenses		
Provisions for reserves:		
Political risk insurance (Note 2)	47,759	32,397
Investment financing (Notes 2 & 10)	142,026	60,352
Salaries and benefits (Notes 16 & 17)	17,391	15,138
Rent, communications and utilities (Note 15)	5,206	4,592
Contractual services	7,536	6,399
Travel	1,277	1,044
Depreciation and amortization (Note 2)	3,395	1,750
Other general and administrative expenses	2,459	1,079
	227,049	122,851
Net Income	$ 138,768	$ 211,994

The accompanying notes are an integral part of the financial statements.

Statement of Capital and Retained Earnings

Overseas Private Investment Corporation

For the years ended September 30 (dollars in thousands)

	Contributed Capital	Credit Funding	Statutory Insurance (Notes 9 & 12)	Reserves Guaranty (Notes 10 & 12)	Retained Earnings	Total
Balance September 30, 1996	$ 50,000	$ 295,336	$ 1,629,664	$ 814,832	$ 0	$ 2,689,832
Net Income			113,197	98,797		211,994
Credit funding received from:						
Appropriations		72,000				72,000
Transfer from A.I.D.		5,000				5,000
Accumulated earnings		19,200			(19,200)	0
Credit funding used		(44,035)		24,835	19,200	0
Transfer to A.I.D.		(10,000)				(10,000)
Balance September 30, 1997	$ 50,000	$ 237,501	$ 1,742,861	$ 938,464	$ 0	$ 2,968,826
Net income			107,709	26,059	5,000	138,768
Credit funding received from:						
Accumulated earnings		24,200			(24,200)	0
Credit funding used		(51,138)		31,938	19,200	0
Transfer to A.I.D.		(19,000)				(19,000)
Balance September 30, 1998	**$ 50,000**	**$ 191,563**	**$ 1,850,570**	**$ 996,461**	**$ 0**	**$ 3,088,594**

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

Overseas Private Investment Corporation

For the years ended September 30 (dollars in thousands)

	1998	1997
Cash Flows from Operating Activities		
Cash received from insurance clients	$ 90,800	$ 87,528
Cash received from investment clients	72,380	61,517
Cash received from preinvestment clients	37	38
Payments to suppliers and employees	(33,561)	(27,106)
Net interest received	212,854	193,239
Assets acquired	(18,044)	(7,343)
Claim recoveries	21,329	16,259
Insurance claim payments	(14,204)	(5,867)
Net Cash Provided from Operating Activities	331,591	328,265
Cash Flows From Investing Activities		
Maturity of U.S. securities	102,794	96,000
Purchase of U.S. securities	(418,219)	(360,907)
Repayment of direct loans	52,446	(15,500)
Disbursement of direct loans	(28,258)	7,139
Acquisition of furniture, equipment and leasehold improvements	(5,680)	(2,819)
Cash Used In Investing Activities	(296,917)	(276,087)
Cash Flows From Financing Activities		
Dividends paid to U.S. Treasury	0	(43,426)
Credit appropriations received	0	72,000
Decrease in A.I.D. transfers	(19,000)	(5,116)
Credit Reform borrowings from U.S. Treasury	(19,710)	9,808
(Increase) decrease in cash restricted for:		
Credit Reform	(63,017)	(121,510)
Pre-Credit Reform	62,991	20,726
Interagency fund transfers	0	116
Cash Used In Financing Activities	(38,736)	(67,402)
Net Decrease In Cash, Unrestricted	(4,062)	(25,224)
Cash At Beginning Of Year, Unrestricted	9,977	35,201
Cash At End Of Period, Unrestricted	$ 5,915	$ 9,977

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

Overseas Private Investment Corporation

September 30, 1998 and 1997

1. Statement of Corporate Purpose

The Overseas Private Investment Corporation (OPIC) is a self-sustaining U.S. Government agency created under the Foreign Assistance Act of 1961 (FAA), as amended, to facilitate U.S. private investment in developing countries and emerging market economies, primarily by offering political risk insurance, investment guaranties, direct loans, and preinvestment support.

2. Summary of Significant Accounting Policies

Revenue Recognition: Facility fees are amortized over the applicable loan period. Interest on loans and guaranty fees on investment guaranties are accrued based on the principal amount outstanding. Revenue from both loan interest payments and guaranty fees that is more than 90 days past due is recognized only when cash is received. Revenue from political risk insurance premiums is recognized on a pro-rata basis over the contract coverage period. Accretion of premium and discount on investment securities is amortized into income under a method approximating the effective yield method.

Reserves for Political Risk Insurance and Investment Guaranties: The reserves for political risk insurance and investment guaranties provide for losses inherent in those operations. These reserves are general reserves, available to absorb losses related to the total insurance and guaranties outstanding, which are off balance sheet commitments. The reserves are increased by provisions charged to expense and decreased for claims settlements. The provisions for political risk insurance and investment guaranties are based on management's evaluation of the adequacy of the related reserves. This evaluation encompasses consideration of past loss experience and other factors, including changes in the composition and volume of the insurance and guaranties outstanding and worldwide economic and political conditions.

Allowance for Uncollectible Loans: The allowance for uncollectible loan amounts and related accounts receivable is based on management's periodic evaluations of the loan portfolio. In its evaluation, management considers numerous factors, including, but not limited to, general economic conditions, loan portfolio composition, prior loan loss experience, the estimated fair value of any collateral, and the present value of expected future cash flows.

Cash and Investments Held by the U.S. Treasury: Substantially all of OPIC's receipts and disbursements are processed by the U.S. Treasury, which, in effect, maintains OPIC's bank accounts. For the purposes of the Statement of Cash Flows, OPIC's unrestricted funds in the U.S. Treasury are considered cash.

Investment in U.S. Treasury Securities: By statute, OPIC is authorized to invest funds derived from fees and other revenues related to its insurance and preinvestment programs in U.S. Treasury securities. Investments are carried at face value, net of unamortized discount or premium, and are generally held to maturity. OPIC has the ability and intent to hold its investments until maturity or until the carrying cost can be otherwise recovered.

Valuation of Assets Acquired in Claims Settlements: Assets acquired in claims settlements are valued at the lower of management's estimate of the net realizable value of recovery or the cost of acquisition.

OPIC acquires foreign currency in settlement of inconvertibility claims when an insured foreign enterprise is unable to convert foreign currency into U.S. dollars as well as in some direct loan and investment guaranty collection efforts. The U.S. dollar equivalent is recorded until utilized by OPIC or other agencies of the United States Government or until exchanged for U.S. dollars by the foreign government.

Depreciation and Amortization: Depreciation and amortization of fixed assets, leasehold improvements, and lease incentives are computed using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter, with periods ranging from 5 to 15 years.

Acquisition Costs: Costs of acquiring new insurance or finance business are expensed in the year incurred as such costs are not considered material.

3. Intragovernmental Financial Activities

OPIC, as a U.S. Government agency, is subject to financial decisions and management controls of the Office of Management and Budget (OMB). As a result of this relationship, OPIC's operations may not be conducted nor its financial position reported as they would be if OPIC were not a government corporation. Furthermore, in accordance with international agreements relating to its programs, as well as internal U.S. Government operating procedures, foreign currency acquired by OPIC can be used for U.S. Government expenses. This facility constitutes an additional means by which OPIC can recover U.S. dollars with respect to its insurance and investment financing programs which would otherwise be unavailable.

4. Cash

OPIC is restricted in its uses of certain cash balances, as described below. Cash balances as of September 30, 1998 and 1997 were as follows (*dollars in thousands*):

Cash Accounts	1998	1997
Restricted:		
Pre-Credit Reform	**$ 22,713**	$ 85,704
Credit Reform	**503,017**	440,000
Interagency fund transfers	**252**	252
Unrestricted:	**5,915**	9,977
Total	**$ 531,897**	$ 535,933

The Federal Credit Reform Act of 1990 established separate accounts for cash flows associated with investment financing activity approved prior to implementation of the Act and investment financing activity subject to the Act. With the advent of Credit Reform, OPIC is not permitted to invest its pre-Credit Reform cash balances. These balances grow over time, and when they are determined to be no longer needed for the liquidation of the remaining pre-Credit Reform direct loans and investment guaranties, they are transferred to OPIC's noncredit insurance account. During 1998, OPIC transferred $81 million to the noncredit insurance account. Credit Reform balances are also maintained in the form of uninvested funds. The U.S. Treasury pays OPIC interest on those cash balances except for undisbursed credit funding. Those balances are also expected to grow as the volume of Credit Reform financings grows over time.

In prior years, the Agency for International Development (A.I.D.) entered into various memoranda of understanding with OPIC providing for the transfer of funds from A.I.D. to OPIC to carry out specific programs. These cash balances may not be commingled with other OPIC cash and are available solely for the purposes of the individual agreements.

5. Credit Funding

OPIC's finance activities are subject to the Federal Credit Reform Act of 1990, which was implemented as of October 1, 1991. Credit Reform requires agencies to estimate the long-term cost to the government of each fiscal year's new credit transactions, and to obtain funding through the appropriations process equal to the net present value of such costs at the beginning of the year. OPIC's credit funding is available for two years. In addition, the Act requires the administrative costs related to its credit program to be displayed.

In fiscal year 1998, OPIC's appropriations legislation authorized the corporation to use $60 million of its accumulated earnings to cover the future costs of credit transactions committed in fiscal years 1998 and

1999. In addition to the credit funding allocated directly to OPIC through the appropriations process, OPIC has received a total of $72 million in net transfers from other agencies to be used exclusively to finance projects in the New Independent States (NIS).

The following table shows the status of funding for credit activities (*dollars in thousands*):

	1998	1997
Balance carried forward	**$237,501**	$195,336
Direct credit appropriations	**0**	72,000
Transferred from earnings	**24,200**	19,200
Interagency transfers (net)	**(19,000)**	(5,000)
Credit funding used	**(51,138)**	(44,035)
Credit Funding Remaining	**$191,563**	**$ 237,501**

6. Borrowings From the U.S. Treasury

In accordance with the Federal Credit Reform Act of 1990, the portion of investment financing activities not funded through the appropriations process must be funded by borrowings from the U.S. Treasury. Borrowings for Credit Reform financings totaled $26.2 million in 1998 and $14.3 million in 1997, all of which have been disbursed. OPIC paid a total of $5.8 million and $5.2 million in interest to the U.S. Treasury during fiscal years 1998 and 1997, respectively, and principal repayments of $45.9 million were made in 1998 under OPIC's borrowing agreement with the U.S. Treasury. No principal repayments were made in 1997. Future payments and interest rates for borrowings outstanding at September 30, 1998 are as follows (*dollars in thousands*):

Payment due in:	Interest Rate	Principal Amount Due
Fiscal years 1999-2000	5.05% - 5.68%	$ 2,293
Fiscal years 2001-2005	5.63% - 7.70%	39,714
Fiscal years 2006-2008	5.54% - 6.71%	26,104
Total		**$ 68,111**

7. Investment in U.S. Treasury Securities

The amortized cost and estimated market value of investments in U.S. Treasury securities are as follows (*dollars in thousands*):

	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
At September 30, 1997	$2,684,453	$ 132,341	$ (5,967)	$ 2,810,827
At September 30, 1998	**$2,987,484**	**$ 371,741**	**$ 0**	**$3,359,225**

The amortized cost and estimated market value of U.S. Treasury securities at September 30, 1998, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities if OPIC exercises its right to sell securities prior to maturity (*dollars in thousands*):

	Amortized Cost	Estimated Market Value
Due in one year or less	$ 155,305	$ 156,337
Due after one year through five years	815,543	859,605
Due after five years through ten years	924,148	1,031,714
Due after ten years	1,092,488	1,311,569
Total	**$ 2,987,484**	**$ 3,359,225**

No U.S. securities were sold in fiscal years 1998 or 1997. Accrued interest totaled $51.3 million at September 30, 1998 and $47.5 million at September 30, 1997.

8. Statutory Limitations on the Issuance of Insurance and Finance

OPIC issues insurance and financing under limits fixed by statute in the Foreign Assistance Act (FAA). Effective October 1, 1996, new legislation replaced the existing separate Section 235 ceilings on maximum issuance applicable to OPIC's guaranty and insurance programs with a single aggregate ceiling for both programs. At September 30, 1998, this combined ceiling was $29 billion, of which combined insurance and finance utilization was $18.3 billion.

9. Political Risk Insurance

Insurance revenues include the following components (*dollars in thousands*):

As of September 30	1998	1997
Political risk insurance premiums	**$87,221**	$ 87,644
Miscellaneous insurance income	**1,761**	865
Total Insurance Revenue	**$88,982**	$88,509

OPIC's capital, retained earnings, and reserves available for insurance at September 30, 1998 and 1997 totaled $2.1 and $1.9 billion, respectively. Charges against retained earnings could arise from (A) outstanding political risk insurance contracts, (B) pending claims under insurance contracts, and (C) guaranties issued in settlement of claims arising under insurance contracts.

(A) Political Risk Investment Insurance: OPIC insures investments for up to 20 years against three different risks: inconvertibility of currency, expropriation, and political violence. Insurance coverage against inconvertibility protects the investor from increased restrictions on the investor's ability to convert local currency into U.S. dollars. Inconvertibility insurance does not protect against devaluation of a country's currency.

Expropriation coverage provides compensation for losses due to confiscation, nationalization, or other governmental actions that deprive the investor of its fundamental rights in the investment.

Insurance against political violence insures investors against losses caused by politically motivated acts of violence (war, revolution, insurrection or civil strife, including terrorism and sabotage).

Under most OPIC insurance contracts, investors may obtain all three coverages, but claim payments may not exceed the single highest coverage amount. Claim payments are limited by the value of the investment and the amount of current coverage in force at the time of the loss, and may be reduced by the insured's recoveries from other sources. In addition, in certain contracts, OPIC's requirement to pay up to the single highest coverage amount is further reduced by stop-loss agreements. Finally, losses on insurance claims may be reduced by recoveries by OPIC as subrogee of the insured's claim against the host government.

OPIC's insurance contingent liability at September 30, 1998 was $11.9 billion. This amount is OPIC's estimate of maximum exposure to insurance claims, which includes standby coverage for which OPIC is committed but not currently at risk. A more realistic measure of OPIC's actual exposure to insurance claims is the sum of each single highest "current" coverage for all contracts in force, or Current Exposure to Claims (CEC). OPIC's CEC at September 30, 1998 was $6.9 billion.

(B) Pending Claims: At September 30, 1998, the total amount of compensation formally requested in insurance claims for which no determination of specific liability had yet been made was approximately $29.5 million. In addition to requiring formal applications for claimed compensation, OPIC's contracts generally require investors to notify OPIC promptly of host government action which the investor has reason to believe is or may become a claim. Compliance with this notice provision sometimes results in the filing of notices of events that do not mature into claims.

The highly speculative nature of these notices, both as to the likelihood that the event referred to will ripen into a claim and the amount, if any, of compensation that may become due, leads OPIC to follow a policy of not recording a specific liability related to such notices in its financial statements. Any claims that might arise from these situations are factored into the nonspecific reserve for political risk insurance.

(C) Claims Settlement Guaranties: OPIC also has off-balance-sheet risk in connection with two claim settlements. In 1978 and 1984, OPIC entered into indemnity agreements with insureds under which OPIC could still be liable for up to $12.6 million. OPIC also settled a claim in 1991 through a guaranty of $30 million of host government obligations. Payments by the host government have reduced OPIC's exposure to $19 million at September 30, 1998. Any claims that might arise from these situations are factored into the nonspecific reserve for political risk insurance.

10. Investment Financing

OPIC provides investment financing through both project finance and investment funds. Project financing provides medium- to long-term funding through direct loans and investment guaranties to ventures involving significant equity and/or management participation by U.S. businesses. Project financing looks for repayment from the cash flows generated by projects, and as such, sponsors need not pledge their own general credit beyond the required project completion period.

Investment funds use direct loans and investment guaranties to support the creation and capitalization of investment funds that make direct equity and equity-related investments in new, expanding, or privatizing companies in emerging market economies. The fund managers, selected by OPIC, are experienced, private investment professionals. OPIC's participation in a fund takes the form of long-term, secured loans and loan guaranties that supplement the fund's privately raised equity. OPIC's guaranty may be applied only to the debt portion of the fund's capital and, for certain funds, to accrued interest on that debt. OPIC does not guarantee any of the fund's equity, and all equity investments in OPIC-backed funds are fully at risk.

OPIC's authorization to make direct loans and investment guaranties can be found in sections 234(c) and 234 (b) of the FAA, respectively. Direct loans and investment guaranties are committed in accordance with the Federal Credit Reform Act of 1990, pursuant to which loan disbursements and any claim payments for these commitments have been funded through appropriations actions, borrowings from the U.S. Treasury, and the accumulation of earnings or collection of fees. In fiscal years 1998 and 1997, $60 million and $77 million, respectively, were made available for credit funding costs. OPIC is in compliance with all relevant limitations and credit funding appropriations guidance. OPIC's capital, retained earnings, and reserves available for investment financing at September 30, 1998 and 1997 totaled $1.3 and $1.1 billion, respectively.

Direct Loans: Direct loans are made for projects in developing and other eligible countries involving U.S. small business or cooperatives, on terms and conditions established by OPIC. Direct loan exposure at September 30, 1998 totaled $159 million, of which $68 million was outstanding.

Interest income is not accrued on direct loans that have payments that are more than 90 days past due. Loans with payments more than 90 days past due totaled $6.7 million at September 30, 1998 and $9.3 million at September 30, 1997. If interest income had been accrued on those loans, it would have approximated $551,000 during fiscal year 1998 and $724,000 during fiscal year 1997. Interest collected on delinquent loans and recorded as income when received amounted to $788,000 and $455,000 for fiscal years 1998 and 1997, respectively.

Changes in the allowance for uncollectible loans during fiscal years 1998 and 1997 were as follows (*dollars in thousands*):

As of September 30	1998	1997
Beginning balance	**$ 8,449**	$ 5,217
Charge-offs	**(1,845)**	(1,931)
Recoveries	**785**	312
Provisions	**(52)**	4,851
Ending Balance	**$ 7,337**	$ 8,449

Investment Guaranties: OPIC's investment guaranty covers the risk of default for any reason. In the event of a claim on OPIC's guaranty, OPIC makes payments of principal and interest to the lender. The loans that are guaranteed can bear either fixed or floating rates of interest and are payable in U.S. dollars. OPIC's losses on payment of a guaranty are reduced by the amount of any recovery from the borrower, the host government, or through disposition of assets acquired upon payment of a claim. Guaranties extend up to 15 years for project finance and from 10 to 12 years for investment funds.

Credit risk represents the maximum potential loss due to possible nonperformance by borrowers under terms of the contracts. OPIC's exposure to credit risk under investment guaranties was $6.3 billion at September 30, 1998, of which $2.7 billion was outstanding. Of the $6.3 billion, $3.4 billion related to project finance and $2.9 billion related to investment fund guaranties. Included in the $2.9 billion of investment fund exposure is $814 million of estimated interest that could accrue to the guaranteed lender. This interest generally accrues over a 10-year period, payable upon maturity. Upon complete nonperformance by the borrower, OPIC would be liable for principal outstanding and interest accrued on disbursed investment funds. At September 30, 1998, $60.7 million of the $814 million had actually accrued to the guaranteed lender on disbursed investment funds; the remainder represents an estimate of interest that could accrue to the guaranteed lender over the remaining investment fund term.

Section 235 of the FAA requires OPIC to maintain a Guaranty Reserve, which is reflected in the Capital and Retained Earnings section of the balance sheet under the heading "Retained Earnings Statutorily Reserved."

11. Assets Acquired in Claim Settlements

Claim related assets may result from payments on claims under either the insurance program or the investment financing program. Under the financing program, when OPIC pays a guaranteed party, a receivable is created. Under the insurance program, similar receivables reflect the value of assets, generally shares of stock, local currency, or host country notes, that may be acquired as a result of a claim settlement.

12. Statutory Reserves and Full Faith and Credit

Section 235(c) of the FAA established a fund with separate accounts known as the Insurance Reserve and the Guaranty Reserve for the respective discharge of liabilities arising from investment insurance or from guaranties issued under Section 234(b) of the FAA. These reserves are reflected on the balance sheet as retained earnings statutorily reserved for each program: Insurance and Guaranty. These amounts may be increased by transfers from retained earnings or by appropriations. In 1998, OPIC's Board of Directors authorized the allocation of all retained earnings to these statutory reserves, thereby reflecting OPIC's increased ability to absorb potential losses without having to seek appropriated funds. The allocation of retained earnings to the Insurance Reserve and the Guaranty Reserve aims to reflect the amount of risks outstanding for insurance and guaranties, respectively.

All valid claims arising from investment insurance and guaranties issued by OPIC constitute obligations on which the full faith and credit of the United States of America is pledged for full payment. At September 30, 1998 and 1997, the statutory Insurance Reserve totaled $1.9 billion and $1.7 billion, respectively, and the statutory Guaranty Reserve totaled $996.5 million and $938.5 million respectively. Should funds in OPIC's reserves not be sufficient to discharge obligations arising under investment insurance, and if OPIC exceeds its $100 million borrowing authority authorized by statute for its insurance program, funds would have to be appropriated to fulfill the pledge of full faith and credit to which such obligations are entitled. Standing authority for such appropriations is contained in Section 235(f) of the FAA. The Federal Credit Reform Act of 1990 authorizes permanent, indefinite appropriations and borrowings from the U.S. Treasury, as appropriate, to carry out all obligations resulting from the investment financing program.

13. Disclosures About Fair Value of Financial Instruments

The estimated values of each class of financial instrument for which it is practicable to estimate a fair value at September 30, 1998 are as follows (*dollars in thousands*):

	Carrying Amount	Fair Value
Financial Assets		
Cash	$ 531,897	$ 531,897
U.S. Treasury securities	2,987,484	3,359,225
Interest receivable on securities	51,273	51,273
Direct loans	61,066	61,066
Accounts receivable from investment guaranties	17,415	17,415
Assets acquired in insurance claims settlements	4,925	4,925
Financial Liabilities		
Borrowings from the U.S. Treasury	$ 68,111	70,540

The methods and assumptions used to estimate the fair value of each class of financial instrument are described below:

Cash: The carrying amount approximates fair value because of the liquid nature of the cash, including restricted cash.

U.S. Treasury Securities: The fair values of the U.S. Treasury Securities are estimated based on quoted prices for Treasury securities of the same maturity available to the public. (OPIC is not authorized, however, to sell its securities to the public, but is restricted to direct transactions with the U.S. Treasury.) Interest receivable on the securities is due within six months and is considered to be stated at its fair value.

Direct Loans, Accounts Receivable Resulting from Investment Guaranties, and Assets Acquired in Insurance Claims Settlements: These assets are stated on the balance sheet at the present value of the amount expected to be realized. This value is based on management's quarterly review of the portfolio and considers specific factors related to each individual receivable and its collateral. The stated value on the balance sheet is also management's best estimate of fair value for these instruments.

Borrowings from the U.S. Treasury: The fair value of borrowings from the U.S. Treasury is estimated based on the face value of borrowings discounted over their term at year-end rates. These borrowings were required by the Federal Credit Reform Act, and repayment terms are fixed by the U.S. Treasury in accordance with that Act.

Investment Guaranties Committed and Outstanding: OPIC's investment guaranties are intended to provide a means of mobilizing private capital in markets where private lenders would be unwilling to lend without the full faith and credit of the U.S. Government. Given the absence of a market for comparable instruments, it is not meaningful to calculate their fair value.

14. Cash Flows

OPIC's statement of cash flows is presented based on actual cash flows. The following schedule provides a reconciliation of net income to net cash provided by operating activities:

For the years ended September 30	1998	1997
Net Income	$ 138,768	211,994
Adjustments to reconcile net income to net cash provided by operating activities:		
Provisions for:		
Political risk insurance	47,759	32,497
Investment financing	142,026	60,352
Amortization of premiums on U.S. securities	15,344	14,328
Amortization of discounts on U.S. securities	(2,950)	(2,814)
Depreciation and amortization	3,395	1,750
Premiums earned	(87,337)	(87,739)
Premiums received	88,281	86,753
Increase in accounts payable	2,339	2,707
Increase in accrued interest and fees	(6,716)	(4,076)
(Decrease) Increase in accounts receivable	23	(790)
Assets acquired in claims settlements	(18,044)	(7,343)
Recoveries on assets acquired in claims settlements	21,329	16,259
Insurance reserve claim payments	(14,205)	(5,867)
Increase in deferred rent and incentives from lessors	1,579	254
Cash Provided by Operating Activities	$ 331,591	$ 318,265

15. Lease

Rental expenses for 1998 and 1997 were approximately $3.4 million and $3 million. Minimum future rental expenses under the 15-year lease at 1100 New York Avenue, N.W. will be approximately $4 million annually, with additional adjustments tied to the consumer price index. Lease incentives related to OPIC's 1992 move totaled $16 million. The value of these incentives is deferred in the balance sheet and is being amortized to reduce rent expense on a straight-line basis over the 15-year life of the lease.

16. Pensions

OPIC's permanent employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). For CSRS, OPIC withholds 7 percent of employees' gross earnings. Their contributions are then matched by OPIC, and the sum is transferred to the Civil Service Retirement Fund from which this employee group will receive retirement benefits. For FERS, OPIC withholds 0.8 percent of employees' gross earnings; in 1998, OPIC contributed 11.5 percent of employees' gross earnings. This sum is transferred to the FERS fund from which the employee group will receive retirement benefits. An additional 6.2 percent of the FERS employees' gross earnings is withheld, and that plus matching contributions by OPIC are sent to the Social Security System from which the FERS employee group will receive social security benefits. OPIC occasionally hires employees on temporary appointments, and those employees are covered by the Social Security System under which 6.2 percent of earnings is withheld and matched by OPIC.

FERS (after an initial eligibility period) and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). Based on employee elections, 0 to 5 percent of gross CSRS earnings is withheld and 0 to 10 percent of gross FERS earnings is withheld. FERS employees receive an automatic 1 percent contribution from OPIC. Amounts withheld for FERS employees are matched by OPIC, up to an additional 4 percent, for a total of 5 percent.

Although OPIC funds a portion of employee pension benefits under the CSRS, the FERS, and the TSP, and makes necessary payroll withholdings, it has no liability for future payments to employees under these programs. Furthermore, OPIC does not disclose the assets of the CSRS, FERS, or TSP nor does it disclose actuarial data with respect to accumulated plan benefits or any unfunded pension liability. Paying retirement benefits and reporting plan assets and actuarial information is the responsibility of the U.S. Office of Personnel Management and the Federal Retirement Thrift Investment Board, which administer these plans. Data regarding the CSRS and FERS actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability are not allocated to individual departments and agencies.

17. Postretirement Benefits

OPIC sponsors three defined benefit postretirement plans that cover qualifying employees. The three plans provide major medical coverage, dental and vision coverage, and life insurance. The medical and the

dental and vision plans are both contributory plans. The life insurance plan includes options that are contributory and noncontributory.

The accumulated postretirement benefits obligation is unfunded. The obligation is comprised of the following:

Accumulated Postretirement Benefits Obligation (APBO)	
Retirees	$ 1,410,436
Active employees fully eligible to retire	216,392
Active employees not fully eligible to retire	1,548,018
Total	**$ 3,174,846**
Unrecognized net gain	384,242
Accrued Postretirement Benefits Costs	**$ 3,559,088**

The unrecognized net gain is a result of refinements in estimates and economic changes that offset losses in prior periods. OPIC is not required to recognize this gain as a component of net postretirement benefit costs.

The net periodic postretirement benefit costs totaled approximately $302,100 in fiscal year 1998 and are summarized as follows:

Net Periodic Postretirement Cost As of September 30	1998
Service cost	$ 107,164
Interest cost	194,936
Total	**$ 302,100**

For measurement purposes, the cost of providing medical benefits was assumed to increase 7 percent in 1998, decreasing annually thereafter to an annual rate of 5.5 percent in 2000. The medical trend rate assumption could have a significant effect on amounts reported. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 6.75 percent. Employee earnings were estimated to increase 5 percent per annum.

An increase of 1 percent in the assumed trend rate for each future year would increase the accumulated postretirement benefit obligation from $3,174,846 to $3,692,732. The net periodic postretirement benefit cost would increase from $302,100 to $355,130.

18. Concentration of Risk

OPIC is subject to certain risks associated with financial instruments not reflected in its balance sheet. These financial instruments include political risk insurance, loan guaranties, and committed-but-undisbursed direct loans.

With respect to political risk insurance, OPIC insures against currency inconvertibility, expropriation of assets, and political violence. Additionally, OPIC provides investment financing through direct loans and investment guaranties.

OPIC's credit policy is to take a senior security position in the assets of the projects or transactions it guarantees. The nature and recoverable value of the collateral pledged to OPIC varies from transaction to transaction and may include tangible assets, cash collateral or equivalents, and/or a pledge of shares in the project company as well as personal and corporate guaranties. OPIC takes all necessary steps to protect its position in such collateral and retains the ability to enforce its rights as a secured lender if such action becomes necessary.

The following is a summary of OPIC's off-balance sheet risk at September 30, 1998 and 1997 *(dollars in thousands)*:

1998	Total	Outstanding	Unused Commitments
Guaranties	$6,255,232	$2,754,630	$3,500,602
Undisbursed direct loans	89,399		89,399
Insurance	11,851,541	6,876,195	4,975,345

1997	Total	Outstanding	Unused Commitments
Guaranties	$6,564,304	$2,144,535	$4,419,769
Undisbursed direct loans	63,141		63,141
Insurance	12,137,327	7,171,825	4,965,502

OPIC's off-balance sheet finance and insurance exposure involves coverage outside of the United States. The following is a breakdown of such total commitments at September 30, 1998 by major geographical area *(dollars in thousands)*:

	Loan Guaranties	Undisbursed Portion on Direct Loans	Insurance
Africa	$ 531,271	$ 0	$ 543,656
Asia	1,151,375	17,700	3,036,517
Europe	676,951	5,484	760,577
Latin America	1,869,492	25,960	6,365,265
Middle East	129,832	0	260,346
NIS	1,402,954	28,955	2,102,368
Worldwide	493,357	11,300	0
Insurance Stop-loss Adjustment			(1,217,188)
	$6,255,232	**$ 89,399**	**$11,851,541**

OPIC has several client-specific contracts with stop-loss limits that are less than the aggregate coverage amounts. The insurance stop-loss adjustment represents the difference between the aggregate coverage amount and OPIC's actual exposure under these contracts.

At September 30, 1998 OPIC's largest finance and insurance exposure was in the following countries and sectors *(dollars in thousands)*:

Country		Sector	
Russia	$2,040,881	Power Generation	$6,316,177
Brazil	1,928,950	Financial Services	5,243,255
Argentina	1,296,634	Manufacturing	2,496,714
India	1,003,458	Oil & Gas Services	2,051,845
Philippines	984,406	Communications	1,490,346

19. Other Contingencies

OPIC is currently involved in certain legal claims and has received notifications of potential claims in the normal course of business. Management believes that the resolution of these matters will not have a material adverse impact on the Corporation.

20. Statutory Covenants

OPIC's enabling statute stipulates both operating and financial requirements with which OPIC must comply. In management's opinion, OPIC is in compliance with all such requirements.

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Robert C. O'Sullivan
Associate General Counsel – Insurance & Claims

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Office of Congressional & Intergovernmental Affairs

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Managing Director

Richard C. Horanburg
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Overseas Private Investment Corporation

1100 New York Avenue, N.W.
Washington, D.C. 20527
An Agency of the United States Government

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1998 Annual Report

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"OPIC's mission is to mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from nonmarket to market economies. In accomplishing its mission, OPIC will promote positive U.S. effects and host country developmental effects. OPIC will assure that the projects it supports are consistent with sound environmental and worker rights standards. In conducting its programs, OPIC will also take into account guidance from the Administration and Congress on a country's observance of, and respect for, human rights. In accomplishing its mission, OPIC will operate on a self-sustaining basis."

—OPIC Strategic Plan

DONALD A. MANZULLO, ILLINOIS
CHAIRMAN

CAROLYN McCARTHY, NEW YORK
RANKING MINORITY MEMBER

Congress of the United States
House of Representatives
106th Congress
Committee on Small Business
Subcommittee on Tax, Finance, and Exports
B-365 Rayburn House Office Building
Washington, DC 20515-6520

June 23, 1999

The Honorable George Munoz
President and CEO
Overseas Private Investment Corporation
1100 New York Avenue, NW
Washington, DC 20527

Dear George:

I want to thank you for participating in the Subcommittee's hearing on the Overseas Private Investment Corporation (OPIC) last May. As a follow-up to the hearing, I want to ask the following questions, some of which were requests for information, that will be submitted for the record.

1) In 1997, the Heritage Foundation published a report[1] claiming that only two percent of the dollar value of OPIC insurance and financing directly helped small businesses and that only three percent of OPIC's total projects helped small businesses.

   a) Were these figures accurate at that time?
   b) What is the current percentage of small businesses that are directly helped by OPIC?
   c) What is the current percentage of small businesses that are indirectly helped by OPIC as suppliers to larger companies that win trade deals because of OPIC?

2) Representative Phil English specifically asked for a copy of OPIC's survey of what the other advanced industrialized countries of the world (our G-7 partners) provide in the form of export credits and insurance for their exporters. Please provide a copy of that survey for the Subcommittee's hearing record.

[1] "The Overseas Private Investment Corporation: Myths and Realities," No. 1127, June 26, 1997, p. 9

Please direct your response to the address above on the letterhead. If you have any questions about this request, please direct them to me or the Subcommittee staff, Phil Eskeland, at (202) 226-2630.

Thank you very much for your kind attention to this request. Best wishes.

Sincerely yours,

Donald A. Manzullo
Chairman

OVERSEAS PRIVATE INVESTMENT CORPORATION
WASHINGTON, D.C. 20527, U.S.A.

OFFICE OF THE
PRESIDENT

August 3, 1999

The Honorable Donald A. Manzullo
Chairman
Subcommittee on Tax, Finance and Exports
Committee on Small Business
House of Representatives
Washington, D.C. 20515-6320

Dear Mr. Chairman:

I would like to thank you again for inviting me to speak at the Subcommittee hearing relating to the Overseas Private Investment Corporation. Since my arrival at OPIC, I have worked hard to make OPIC a more hospitable and accessible partner for American small businesses seeking overseas investment support. I hope that my testimony gave your Subcommittee a better picture of OPIC's operations, especially in the small business field.

Enclosed please find responses to your additional questions. I hope my answers here give you and your colleagues a better picture of OPIC's commitment to supporting American small businesses and demonstrate the progress that we have made toward that goal.

Again, thank you for your leadership and for inviting me to attend the Subcommittee hearing and speak on OPIC's programs and operations. Please feel free to contact me at any time should you have any further questions.

Sincerely,

George Muñoz
President and
Chief Executive Officer

Enclosures

1100 NEW YORK AVE., N. W. · WASHINGTON, D. C. 20527 · FAX (202) 408-9859 · (202) 336-8400

RESPONSE OF THE OVERSEAS PRIVATE INVESTMENT CORPORATION TO QUESTIONS FROM HOUSE SMALL BUSINESS COMMITTEE SUBCOMMITTEE ON TAX, FINANCE AND EXPORTS

1) *In 1997, the Heritage Foundation published a report[1] claiming that only two percent of the dollar value of OPIC insurance and financing directly helped small businesses and that only three percent of OPIC's total projects helped small businesses.*

a) Were these figures accurate at the time?

The figures cited in the 1997 Heritage Foundation Report were inaccurate and substantially underestimated OPIC's assistance to small businesses as directed by Congress. Smaller business cooperatives were involved in 31 out of 169, or 18%, of all OPIC-assisted projects in fiscal 1996. In accordance with Congressional guidance, OPIC focuses on those small businesses that have the depth of financial and personnel resources to make successful direct investments abroad. This includes a range of companies, from those categorized by the SBA as the smallest of small businesses up to those with more substantial revenues.

b) What is the current percentage of small businesses that are directly helped by OPIC?

OPIC direct assistance to projects involving small businesses increased from 18% of all projects in fiscal 1996 to 24% in fiscal 1997, and increased again to 28% in fiscal 1998.

Despite this improvement, OPIC is committed to doing more to help American's small business grow through investments in emerging markets around the world. Attached is a special brochure we have developed describing special programs and initiatives to make it easier for small business to access OPIC programs. These special small business initiatives include:

- Small Business Advocacy Team
- Small Business Hotline
- Small Business Web Page
- Reduced Loan Size
- Simplified Applications
- Special Fees and Streamlined Contracts.

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[1] "The Overseas Private Investment Corporation: Myths and Realities," No. 1127, June 26, 1997, p.9.

c) *What is the current percentage of small businesses that are indirectly helped by OPIC as suppliers to larger companies that win trade deals because of OPIC?*

Although many U.S. businesses are too small to make an overseas investment on their own, they benefit significantly from such investment by larger U.S. firms. Large companies routinely turn to small U.S. businesses with which they are familiar for products and services to support an overseas project. In fact, most small businesses first enter global commerce by supplying products to larger investors or by exporting directly to companies with overseas operations. After becoming comfortable with that supporting role, small companies gain the experience necessary to undertake a direct investment of their own.

Based on the actual operations of projects assisted by OPIC since fiscal year 1994, at least 63% of all U.S. suppliers to OPIC projects have been small businesses. In fact, this estimate is conservative, as it only includes U.S. suppliers which have been verified using external data sources as falling under OPIC's small business definition. In many cases, OPIC clients indicate that they purchase goods and services from businesses for which the agency has not been able to obtain revenue information. In the absence of reliable sales data, OPIC does not classify these enterprises as small businesses, although in many cases it is reasonable to assume that this data is unavailable due to the small size of these suppliers. In consequence, the actual percentage of small business procurement stimulated by OPIC projects over the past five years is highly likely to be greater than 63%. This confirms the agency's original estimates predicting that approximately two-thirds of all suppliers to OPIC projects would be small businesses.

2) *Representative Phil English specifically asked for a copy of OPIC's survey of what the other advanced industrialized countries of the world (our G-7 partners) provide in the form of export credits and insurance for exports.*

OPIC is not alone in its efforts to make small businesses competitive in the international business arena. Most developed countries offer a comprehensive array of export and overseas investment support programs which may include, but are not necessarily limited to, political risk insurance and project finance products.

Based on a survey of our counterparts, represented in the attached charts, **the U.S. spends less per capita, as a percentage of GDP, and in dollar terms on supporting private sector investment in developing countries than any of its major competitors**, even when OPIC and U.S. Export-Import Bank investment is combined. In the past few years, most of the national export credit agencies in the G-7 countries have expanded their project financing capacities annually.

According to the Berne Union, an international union of export credit and investment insurers, **44 agencies operating from 38 countries provide some form of export credit and investment insurance**. Agencies in 35 countries offer political risk insurance to

support national export programs. Attached is a complete list of Berne Union members. While the objectives of Berne Union members may vary somewhat, in general they are similar to those of OPIC. These countries' programs seek to enhance economic benefits for their country, support their investors in emerging markets, and encourage developmental effects in the host country.

Each of the foreign project finance and investment insurance agencies has traditionally operated in fairly distinct geographical or geopolitical regions. Largely influenced by history, British and French agencies maintain a significant overseas presence in their former colonies (Asia/Pacific, Africa, the Middle East, and the Caribbean), which allows them greater flexibility in project selection, monitoring, and assessment. This overseas presence has also allowed them to focus on training and high-risk sectors such as agriculture. Japanese investment insurance agencies invest overwhelmingly in Asian industry, while Italian agencies have strong programs in neighboring Central and Eastern Europe, the Middle East, North Africa, and the Caucasus/NIS regions. German programs tend to focus strongly on HIPCs, while Spanish and Portuguese agencies are active in the Central and Southern American regions. Scandinavian investment insurance programs have strong networks across the Baltic states and Eastern Europe. Canada's Export Development Corporation (EDC) may be among the most diversified, supporting investment in over 200 countries around the world. OPIC, on the other hand, is responsible for operating in over 140 nations worldwide on a self-sustaining basis without taxpayer support, and has a particularly strong and in many ways unique commitment to global development and investment.

Many of OPIC's foreign counterparts are not subject to the same constraints as OPIC. They do not necessarily have or uphold development mandates, environmental and labor considerations, domestic impact restrictions, or a limit on eligible investors or investments. Neither the Dutch FMO, French AFD/PROPARCO, British CDC, nor the German DEG require investors to demonstrate nationality as a prerequisite to funding. Furthermore, many foreign agencies lack restrictions on eligible host countries. A 1997 GAO report on OPIC (Letter Report, 09/08/97, GAO/NSIAD-97-230) found that in countries where OPIC is barred from operating, such as China or Vietnam, foreign agencies provided export credit and insurance services to investors, a process that was likely to exclude U.S. suppliers—many of them small businesses. Similarly, when OPIC presented its Draft Environmental Handbook for public commentary,[2] a significant number of respondents noted that OPIC-supported investments are at a disadvantage when competing against firms backed by overseas counterparts which may not undertake the rigorous environmental, worker rights, human rights, or domestic impact assessments OPIC believes crucial to responsible and sustainable development. While lauding OPIC for its commitment to high environmental standards, these respondents worried that U.S. firms will confront obstacles in project development not faced by their competition, depriving American workers of the jobs associated with overseas opportunities.

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[2] Responses to "Request for Comments on Draft Environmental Handbook", Federal Register notice, 02/25/98. Respondents included NGOs, industry (including small businesses), and the general public.

Furthermore, **only a handful of foreign investment insurance agencies offer programs, such as OPIC's, designed to support and encourage small business investment in foreign countries.** OPIC's Japanese counterparts, the Overseas Economic Cooperation Foundation/Japan ExIm Bank (OECF/JEXIM) and the Export-Import Insurance Department of the Ministry for International Trade and Industry (EID/MITI), have traditionally marketed their insurance to large-scale joint public-private "national projects". Although there is growing recognition among the development finance/investment insurance agencies that small- and medium-sized businesses can often make more substantial contributions to the lives of citizens in developing countries and that smaller ventures are often better suited to the relatively small markets of these countries, OPIC is an international leader in its firm commitment to helping small- and medium-sized businesses invest overseas.

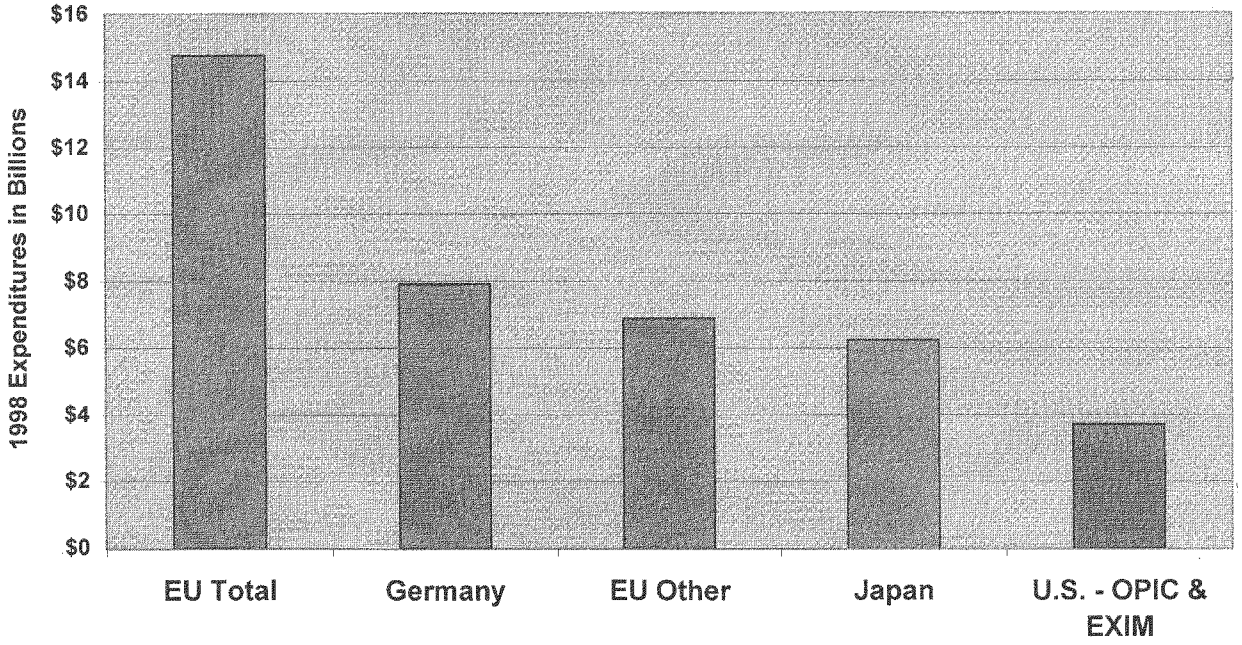
Most importantly, **very few foreign export credit and investment insurance agencies are self-sustaining and generate an annual profit**. The majority of these agencies are heavily subsidized by their governments or raise their funds through means other than returns on loans and investments, such as subscribed capital or borrowing on the capital markets. This provides greater leeway in project selection and allows many foreign investment insurance agencies to offer coverage at concessionary, subsidized, or reduced rates. As a result, American companies –and especially American small businesses-- may experience difficulties competing with heavily subsidized foreign firms.

OPIC is providing the support that U.S. businesses need to compete for projects abroad and to strengthen the U.S. economy. I have worked hard at OPIC to enhance our commitment to U.S. small businesses and to maintain OPIC's high standards of accountability for domestic, environmental, and developmental impact.

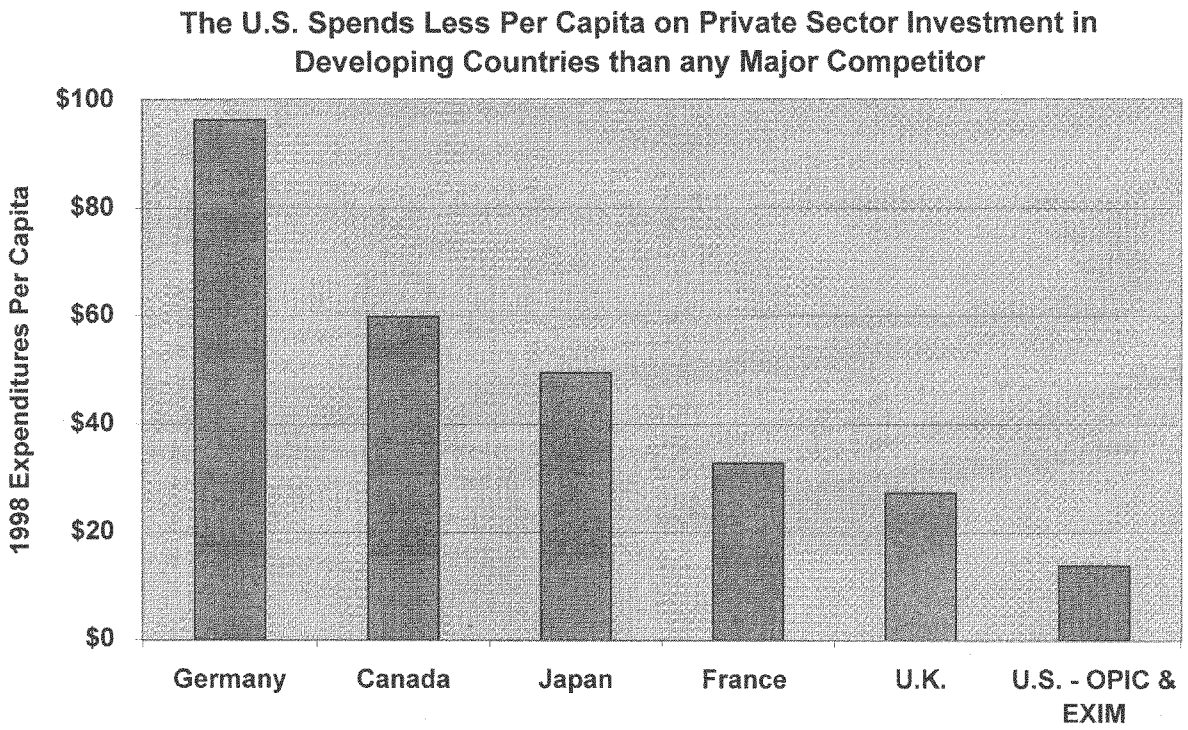
OPIC is proud of the role that it has played in promoting American job creation, development, and U.S. foreign policy. In fact, since 1971 OPIC has supported $121 billion in investments that have generated $58 billion in U.S. exports and have created more than 237,000 American jobs. These benefits are realized not only by larger companies but also by many small companies across America, who supply OPIC-supported projects, invest in OPIC funds, or, with OPIC's help, make important overseas investments. OPIC represents an investment in helping America and America's small businesses compete in an increasingly complex global economy.

The U.S. Lags Behind the Competition:

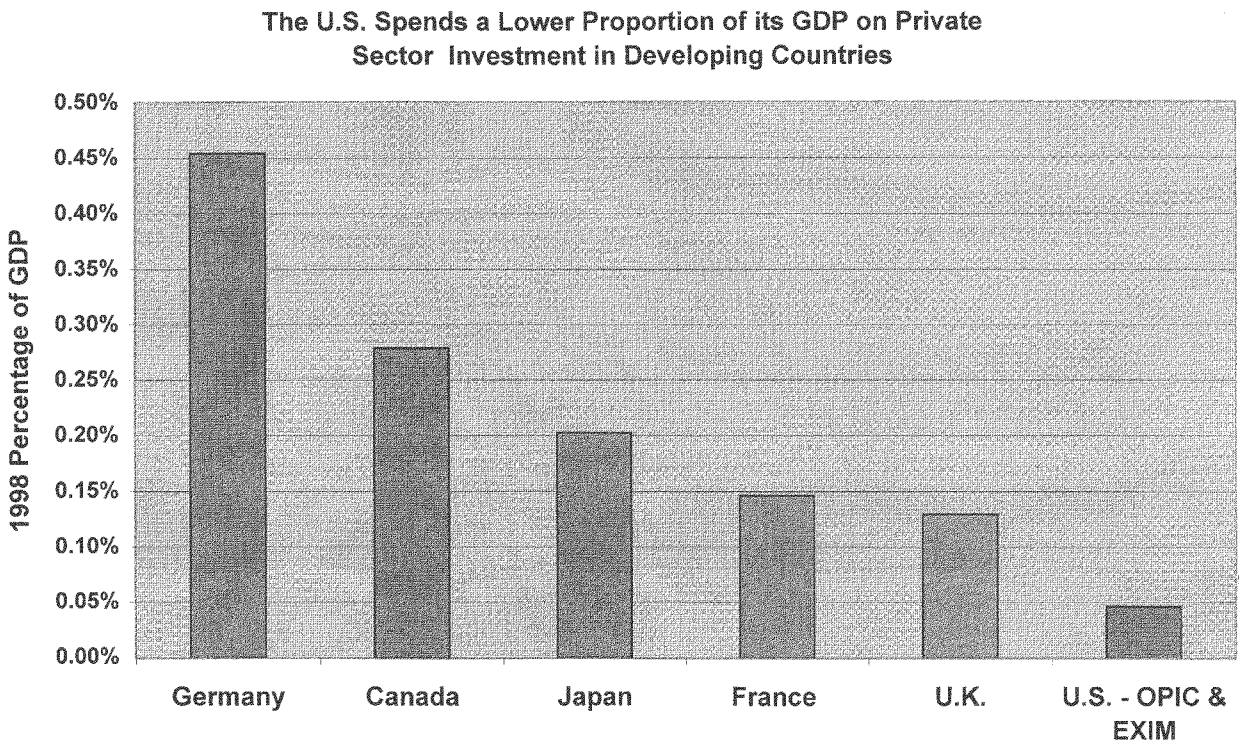
The EU, Germany and Japan Outpaced the U.S. in the 1998 Dollar Level of Support for Private Sector Investment in Developing Countries



The U.S. Lags Behind the Competition:



The U.S. Lags Behind the Competition:



Bilateral Agency Comparison Chart: Private-Sector Finance Programs
(figures in US$ millions)

	OPIC (US)	AFD/Proparco (France)	CDC (UK)	DEG (Germany)	FINNFUND (Finland)	FMO (Netherlands)	IFU/IO (Denmark)	KfW (Germany)	OECF (Japan)	Swedfund (Sweden)
Year Est'd.	1971	AFD*: 1941; Proparco: 1977	1940s	1962	1980s	1970	IFU: 1967; IO: 1989	1948	1961	1978
Ownership	100% gov	AFD: 100% gov; Proparco: 72% AFD, 28% public/private financials/ industrials	100% gov	100% gov	96.9% gov; 3.0% Finnish Export Credit Ltd.; 0.1% industry/ employer confederation	51% gov; 42% banks; 7% other	100% gov	100% gov	100% gov	100% gov
Finance-Program Instruments	loans, guarantees, investment funds	equity, loans, guarantees	loans, equity	loans, equity	loans, equity, quasi-equity	loans, equity, syndicated loans, guarantees, etc.	loans, equity	grants, loans	loans, equity	equity, quasi-equity, loans, guarantees
Pricing	market rates	market rates +	market rates	market rates	market rates	market rates	market pricing	market rates	case-by-case	commercial rates
Total Finance-Program Investments										
FY 1993	415	369	280	214	28	233	64	74	56	3
FY 1994	1753	256	352	269	30	429	79	82	154	7
FY 1995	1911	393	384	329	21	406	107	153	190	9
FY 1996	2255	316	476	446	14	433	106	299	60	***40
FY 1997	709	243	465	404	25	363	106	172	4	31
Investments by Region FY97										
Africa	100	171	151	43	0	49		0		4
Asia	225	2	184	130	7	124		144		1
Europe	118	0	0	69	18	57		12		26
LATAM	226	10	126	143	1	103		0		0
**CAMENA	40	94	5	19	0	30		17		0
Investments by Sector FY97										
Cap Mkts	140	100	134	167	7	208		172		21
Infra	540	0	107	33	7	36		0		0
Other	29	133	225	204	12	116		0		10

Source: International Finance Corp

*Caisse Centrale de la France Libre, renamed Caisse Francaise de Developpement, then Agence Francaise de Developpement

**Central Asia, Middle East, North Africa

***18 month period during change in fiscal year

Appendix A: Main features of investment insurance programs of G-7 countries

	Eligible Investors	Eligible Investments	Eligible Foreign Enterprises	Risks Covered	Amount of Insurance	Duration of Insurance	Cost of Insurance
France: COFACE	Domestic French Entities	Equity, some loans. New investments only. No portfolio investments	No restriction as to host country although attitude to human rights may be considered. Bilateral investments a prerequisite in principal but may be waived	Expropriation, war, inconvertibility, breach of government commitments vital to project. Cover only issued as a package	Equity: initial investments plus reinvested earnings up to 100%. Loans: up to 70% of initial loans plus interest	Maximum 15 years, minimum 5 years	Rate varies according to host country and nature of project. Normal range 0.7-1.0 % on amount invested
Germany: Hermes	Domestic German Interests	Equity, loans. New investments	No formal restriction. In practice, cover not provided for investments in developed countries. Bilateral agreements usually required.	Expropriation, war, inconvertibility. Cover only available as a package	Initial investment plus earnings up to 10% p.a. and up to overall limit of 50% revolving	Maximum 15 years, 20 years if project involves long construction period	Base rate 1% of amount insured. Varies depending on country risk
Japan: EID/MITI	Domestic Japanese interests	Equity, loans, loan guarantees. New investments only. No portfolio investments	No restrictions as to host country. Bilateral agreements not required	Expropriation, war, inconvertibility, bankruptcy after 2 years of operation	No formal limit on amount of investment of earnings eligible for cover. In practice some country limits may apply	Political risk: 15 year maximum with longer periods for projects with long construction periods. Commercial risk: 10 years maximum with longer periods possible	Political risks: base .55% p.a - variable depending on country and investment type. Commercial risk: base rate 1% p.a. variable
Canada: EDC	Any person or entity carrying on business in Canada	Equity, loans, loan guarantees. Must be of some economic benefit to Canada and host country	No restrictions in principle although exceptions may be made. Bilateral agreement not required	Expropriation, war, inconvertibility. Investors may select other risks to be covered	Equity: initial investment plus up to 200% of that amount for retained earnings. Loans: initial loan amount plus 100% of interest	Equity: 15 years Non-equity: period of investment	Expropriation: 0.3-0.8% of insured amount Inconvertibility: 0.2-0.6%
Italy: SACE	Individuals and entities domiciled in Italy	Equity, shareholder loans convertible into equity. Only new investments. No portfolio investments	Investments in developed countries not eligible. Bilateral agreements preferred but not required	Expropriation, war, inconvertibility, natural disaster	Initial investment plus earnings up to 8% arhount up to a limit of 50% of the value of initial investment	Maximum 15 years, minimum 3 years	0.8% on amount insured
UK: ECGD	Persons and companies conducting business in UK. Also certain foreign subsidiaries of UK companies	Equity, loans, loan guarantees provided by equity shareholder. New investments and existing investments only to extent it's matched by new investment. No portfolio investment	No restriction on host country. Bilateral agreements not required. No projects that conflict with UK national interests or which are not developmental in nature	Expropriation, war, inconvertibility, breach of contract by host government in certain cases. Cover available only as package.	Equity: initial investment plus retained earnings up to 300% p.a. of that amount plus distributed earnings Loans and loan guarantees: Loan amount plus interest	Maximum 15 years, extendible to 20 years. Minimum 3 years fro equity. 3 year mean repayment period for loans	0.7-1% depending on country. Standby cover 0.175% to 0.25%
US: OPIC	U.S. citizens and entities substantially owned by US citizens. Foreign entities 95% owned by US interests	Equity, loans, loan guarantees. Existing investment only if accompanied by substantial new investment. No portfolio investment.	Developing countries and some 'post communist' countries. Bilateral agreement required. Host government attitude towards human rights, worker rights considered. Environmental impact considered	Expropriation, war, inconvertibility, breach of contract by host government in certain cases. Investor may select other risks to be covered.	Equity: initial investment plus up to 90% of earnings Loans: loan amount plus 90% of interest. 100% for institutional lenders. Limit of $200 million in insurance per project	Maximum 20 years. Normal minimum 5 years.	Varies according to industry and risks covered.

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FGB merged with Kera Corporation 1 January 1999 to form FINNVERA, the Finnish Export Credit Guarantee Agency and Domestic Specialised Risk Financier.

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Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
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merged with PriceWaterhouse Coopers in mid-1998: now PwC Deutsche Revision

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May 14, 1999

The Honorable Donald A. Manzullo
Chairman of the Committee on Small Business,
Subcommittee on Tax Finance and Export
B-363 Rayburn House Office Building
Washington, DC 20515-6320

Dear Mr. Chairman:

I understand that your Committee will be holding hearings next week on the effectiveness of the Overseas Private Investment Corporation in helping small businesses.

Our company is one that has greatly benefitted by OPIC's activities during the past 24 years. We are a small company-with six employees operating in Westport, Connecticut. As our name indicates we import tea. Our company was founded in 1953. We purchase tea in all major producing countries and we sell to the blenders and packers in the United States and other countries.

In 1975 we entered into an agreement with the Government of Rwanda to establish a Tea Plantation. We founded a company in Rwanda called SORWATHE S.A.R.L. The Shareholdings of this company are divided between Rwandan interests, which hold 49 percent of the equity, and U.S. interests amounting to 51 percent of the equity. The project was supported by loans from OPIC, IFC and the Banque Rwandaise de Developpement. We insured the operation with OPIC against war risks, expropriation and inconvertability.

Since its founding SORWATHE has become the major tea producing unit in the country. There are a total of ten tea factories, nine owned by the Rwandan Government and one privately operated by ourselves. We produce approximately 28 percent of the country's crop on seven percent of the acreage. We are the only source of cash income to approximately 35,000 people in our area. We purchase tea from 3,500 small farmers, plus operating our own fields. The socio-economic impact upon the area has been fantastic. The local population now has proper housing and facilities-schools have been built, health care is provided and according to a World Bank study the farmers in our area have a better income per acre of land than in other parts of the country. All of it came about as a result of the operation of our factory. According to the Rwanda Chamber of Commerce SORWATHE was the fourth largest tax payer in the country in 1998. I can state unequivocally that we would not have started this

The Honorable Donald A. Manzullo-Page 2

operation without the support and insurance coverage provided by the Overseas Private Investment Corporation.

We are also in the process of rehabilitating a tea property in Ecuador. Again, we only considered so doing with the help of OPIC's insurance coverage. We will be applying to OPIC for a loan in the near future to assist in bringing the property up to a productive standard.

OPIC has been a great help to us and we can state unequivocally that without their assistance we would not have considered making the investments in the two tea plantations. I sincerely hope that your Committee will support the four year extension of OPIC's activities.

Sincerely,

J. H. Wertheim
President

JHW/clc TILetter.001

106TH CONGRESS
1ST SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

M. introduced the following bill; which was referred to the Committee on

A BILL

To reauthorize the Overseas Private Investment Corporation and the Trade and Development Agency, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Export Enhancement Act of 1999".

SEC. 2. FINDINGS.

The Congress makes the following findings:

(1) Since it began operations in 1971, the Overseas Private Investment Corporation (in this Act re-

1 ferred to as "OPIC") has sold investment services
2 and mobilized private sector resources to assist de-
3 veloping countries and emerging democracies in the
4 transition from nonmarket to market economies.
5 (2) In an era of declining Federal budgetary re-
6 sources, OPIC has consistently demonstrated an
7 ability to operate on a self-sustaining basis to sup-
8 port United States companies and promote economic
9 reform in emerging economies in Africa, the newly
10 independent states of the former Soviet Union,
11 Latin America, and the Caribbean.
12 (3) OPIC has played an important role in rein-
13 forcing United States foreign policy goals and in
14 strengthening the United States economy by creat-
15 ing jobs and promoting exports.
16 (4) Over the past 28 years, projects supported
17 by OPIC have generated over $58,000,000,000 in
18 United States exports, mobilized $121,000,000,000
19 of United States private sector investment, and cre-
20 ated more than 237,000 United States jobs.
21 (5) OPIC has been run on a sound financial
22 basis with reserves totaling approximately
23 $3,300,000,000 and with an estimated net budget
24 contribution to the international affairs account of
25 some $204,000,000 in fiscal year 2000.

(6) OPIC has maintained a claims recovery rate of 95 percent, settling 254 insurance claims for $541,000,000 and recovering all but $29,000,000 since 1971.

(7) OPIC programs have served to rectify market failures, including limited market information in developing countries and underdeveloped capital markets, by insuring United States firms against economic and market uncertainties.

(8) The Trade and Development Agency (in this Act referred to as "TDA") promotes United States business involvement in infrastructure projects in developing and middle income countries.

(9) TDA has generated $12,300,000,000 in exports since its inception, with every $1 in spending for TDA projects leading to the sale of $32 in United States goods and services overseas.

(10) The United States and Foreign Commercial Service (in this Act referred to as the "Commercial Service") plays an important role in helping United States businesses identify export opportunities and develop reliable sources of information on commercial prospects in foreign countries.

(11) The Congress has, on several occasions, encouraged the Commercial Service to focus its re-

1 sources and efforts in countries or regions in Europe
2 and Asia to promote greater United States export
3 activity in those markets.
4 (12) The Congress supports the expansion of
5 the Rural Export Initiative by the International
6 Trade Administration (in this Act referred to as the
7 "ITA") of the Department of Commerce, particu-
8 larly those elements related to the use of information
9 technology and electronic commerce techniques.

10 **SEC. 3. POLICY RECOMMENDATIONS.**

11 The Congress makes the following declarations:
12 (1) OPIC should set its fees at levels sufficient
13 to cover all operating costs, repay any subsidy ap-
14 propriations, and set aside adequate reserves against
15 future losses.
16 (2) OPIC should maintain a conservative ratio
17 of reserves to contingent liabilities and limit its obli-
18 gations in any one country in its worldwide finance
19 or insurance portfolio.
20 (3) Projects supported by OPIC should not dis-
21 place commercial finance or insurance offerings and
22 should encourage private sector financing and insur-
23 ance participation.
24 (4) Independent auditors should report annually
25 to the Congress on the level of OPIC's reserves in

1 relation to its liabilities and provide an analysis of
2 the trends in the levels of reserves and liabilities and
3 the composition of its insurance and finance port-
4 folios, including OPIC's investment funds.

5 (5) OPIC should double the dollar value of its
6 support for small businesses over the next four
7 years.

8 (6) In administering the programs and activi-
9 ties of the ITA, the Secretary of Commerce should
10 give particular emphasis to obtaining market access
11 for United States firms and to securing full compli-
12 ance with bilateral and multilateral trade agree-
13 ments.

14 (7) The ITA should facilitate the entrance of
15 United States businesses into the countries of sub-
16 Saharan Africa and Latin America.

17 (8) The Commercial Service, within the ITA,
18 should consider expanding its presence in urban
19 areas and in urban enterprise areas.

20 **SEC. 4. OPIC ISSUING AUTHORITY.**

21 Section 235(a)(2) of the Foreign Assistance Act of
22 1961 (22 U.S.C. 2195(a)(3)) is amended by striking
23 "1999" and inserting "2003".

1 **SEC. 5. TRADE AND DEVELOPMENT AGENCY.**

2 (a) PURPOSE.—Section 661(a) of the Foreign Assist-
3 ance Act of 1961 (22 U.S.C. 2421(a)) is amended by in-
4 serting before the period at the end of the second sentence
5 the following: ", with special emphasis on economic sectors
6 with significant United States export potential, such as
7 energy, transportation, telecommunications, and environ-
8 ment".

9 (b) CONTRIBUTIONS OF COSTS.—Section 661(b) of
10 the Foreign Assistance Act of 1961 (22 U.S.C. 2421(b))
11 is amended by adding at the end the following:

12 "(5) CONTRIBUTIONS TO COSTS.—The Trade
13 and Development Agency shall, to the maximum ex-
14 tent practicable, require corporations and other enti-
15 ties to—

16 "(A) share the costs of feasibility studies
17 and other project planning services funded
18 under this section; and

19 "(B) reimburse the Trade and Develop-
20 ment Agency those funds provided under this
21 section, if the corporation or entity concerned
22 succeeds in implementing the project for which
23 the funds were provided.".

24 (c) FUNDING.—Section 661(f) of the Foreign Assist-
25 ance Act of 1961 (22 U.S.C. 2421(f)) is amended—

1 (1) in paragraph (1)(A) by striking
2 "$77,000,000" and all that follows through "1996"
3 and inserting "$48,000,000 for fiscal year 2000 and
4 such sums as may be necessary for each fiscal year
5 thereafter"; and
6 (2) in paragraph (2)(A), by striking "in fiscal
7 years" and all that follows through "provides" and
8 inserting "in carrying out its program, provide, as
9 appropriate, funds".

10 **SEC. 6. PROGRAMS OF THE INTERNATIONAL TRADE ADMIN-**
11 **ISTRATION.**

12 (a) FUNDING.—There are authorized to be appro-
13 priated to the ITA—
14 (1) for fiscal year 2000, $24,000,000 for its
15 Market Access and Compliance program,
16 $68,000,000 for its Trade Development program,
17 and $210,000,000 for the Commercial Service pro-
18 gram; and
19 (2) for each fiscal year thereafter, such sums as
20 may be necessary for the programs referred to in
21 paragraph (1).
22 (b) APPOINTMENTS.—Subject to the availability of
23 appropriations, the Secretary of Commerce, acting
24 through the Assistant Secretary of Commerce and Direc-
25 tor General of the United States and Foreign Commercial

1 Service, shall take steps to ensure that Commercial Serv-
2 ice employees are stationed in no fewer than 10 sub-Saha-
3 ran African countries and that the Commercial Service
4 has full-time employees in each country in South and Cen-
5 tral America and an adequate number of employees in the
6 Caribbean to ensure that United States businesses are
7 made aware of existing market opportunities for goods
8 and services.

9 (c) INITIATIVE FOR SUB-SAHARAN AFRICA AND
10 LATIN AMERICA.—The Assistant Secretary of Commerce
11 and Director General of the United States and Foreign
12 Commercial Service shall make a special effort to—

13 (1) identify those goods and services of United
14 States companies which are not being exported to
15 Latin America and sub-Saharan Africa but which
16 are being exported to countries in those regions by
17 competitor nations;

18 (2) identify trade barriers and noncompetitive
19 actions, including violations of intellectual property
20 rights, that are preventing or hindering the oper-
21 ation of United States companies in sub-Saharan
22 Africa and Latin America;

23 (3) publish on an annual basis the information
24 obtained under paragraphs (1) and (2);

1 (4) bring such information to the attention of
2 authorities in sub-Saharan Africa and Latin Amer-
3 ica with the goal of securing greater market access
4 for United States exporters of goods and services;
5 and
6 (5) report to the Speaker of the House of Rep-
7 resentatives and the President of the Senate the re-
8 sults of the efforts to increase the sales of United
9 States goods and services in sub-Saharan Africa and
10 Latin America.
11 (d) GLOBAL DIVERSITY AND URBAN EXPORT INITIA-
12 TIVE FOR THE ITA.—The ITA shall undertake an initia-
13 tive entitled the "Global Diversity and Urban Export Ini-
14 tiative" to increase exports from minority-owned busi-
15 nesses, focusing on businesses in under-served areas, in-
16 cluding inner-city urban areas and urban enterprise zones.
17 The initiative should use electronic commerce technology
18 and products as another means of helping urban-based
19 and minority-owned businesses export overseas.
20 (e) AUTHORIZATION FOR ADVERTISING.—The ITA is
21 authorized to advertise in newspapers, business journals,
22 and other relevant publications and related media to in-
23 form businesses about the services offered by the ITA.

1 **SEC. 7. BOARD OF DIRECTORS.**

2 Section 233(b) of the Foreign Assistance Act of 1961
3 (22 U.S.C. 2193(b)) is amended—

4 (1) by striking the second and third sentences;

5 (2) in the fourth sentence by striking "(other
6 than the President of the Corporation, appointed
7 pursuant to subsection (c) who shall serve as a Di-
8 rector, ex officio)";

9 (3) in the second undesignated paragraph—

10 (A) by inserting "the President of the Cor-
11 poration, the Administrator of the Agency for
12 International Development, the United States
13 Trade Representative, and" after "including";
14 and

15 (B) by adding at the end the following:
16 "The United States Trade Representative may
17 designate a Deputy United States Trade Rep-
18 resentative to serve on the Board in place of the
19 United States Trade Representative."; and

20 (4) by inserting after the second undesignated
21 paragraph the following:

22 "There shall be a Chairman and a Vice Chairman
23 of the Board, both of whom shall be designated by the
24 President of the United States from among the Directors
25 of the Board other than those appointed under the second
26 sentence of the first paragraph of this subsection.".

1 **SEC. 8. STRATEGIC EXPORT PLAN.**

2 Section 2312(c) of the Export Enhancement Act of
3 1988 (15 U.S.C. 4727(c)) is amended—

4 (1) by striking "and" at the end of paragraph
5 (5);

6 (2) by striking the period at the end of para-
7 graph (6) and inserting a semicolon; and

8 (3) by adding at the end the following:

9 "(7) ensure that all export promotion activities
10 of the Agency for International Development are
11 fully coordinated and consistent with those of other
12 agencies;

13 "(8) identify means for providing more coordi-
14 nated and comprehensive export promotion services
15 to, and on behalf of, small and medium-sized busi-
16 nesses; and

17 "(9) establish a set of priorities to promote
18 United States exports to, and free market reforms
19 in, the Middle East, Africa, Latin America, and
20 other emerging markets, that are designed to stimu-
21 late job growth both in the United States and those
22 regions and emerging markets.".

23 **SEC. 9. IMPLEMENTATION OF PRIMARY OBJECTIVES.**

24 The Trade Promotion Coordinating Committee
25 shall—

1 (1) report on the actions taken or efforts cur-
2 rently underway to eliminate the areas of overlap
3 and duplication identified among Federal export pro-
4 motion activities;
5 (2) coordinate efforts to sponsor or promote
6 any trade show or trade fair;
7 (3) work with all relevant State and national
8 organizations, including the National Governors' As-
9 sociation, that have established trade promotion of-
10 fices;
11 (4) report on actions taken or efforts currently
12 underway to promote better coordination between
13 State, Federal, and private sector export promotion
14 activities, including co-location, cost sharing between
15 Federal, State, and private sector export promotion
16 programs, and sharing of market research data; and
17 (5) by not later than September 30, 1999, in-
18 clude the matters addressed in paragraphs (1), (2),
19 (3), and (4) in the annual report required to be sub-
20 mitted under section 2312(f) of the Export En-
21 hancement Act of 1988 (15 U.S.C. 4727(f)).