

TESTIMONY

Of

THE COALITION FOR EMPLOYMENT THROUGH EXPORTS

Before the

SUBCOMMITTEE ON INTERNATIONAL MONETARY POLICY AND TRADE

HOUSE COMMITTEE ON FINANCIAL SERVICES

Regarding

THE IMPACT OF THE WORLD BANK AND MULTILATERAL DEVELOPMENT BANKS
ON U.S. JOB CREATION

July 27, 2011

Chairman Miller, Ranking Member McCarthy, and Members of the Subcommittee, the Coalition for Employment through Exports (CEE) thanks you for the opportunity to testify on the impact of the Multilateral Development Banks (MDBs) on U.S. job creation. CEE comprises large exporters, commercial banks and insurers focused on the provision of export and trade finance and a number of our members are actively engaged with the World Bank and others of the MDBs. We are also joined in this testimony by the National Foreign Trade Council which is a strong supporter of the capital increase for the MDBs and supports a broad pro trade agenda.

The impact of the MDBs on U.S. job creation is significant for several reasons:

1. The World Bank and the regional MDBs reflect the continuing commitment of the developed world to eradicate poverty and give people wherever they live the opportunity for a better, healthier life. The MDBs have been instrumental in advancing a developmental agenda in the less developed countries and their continued role will enable that progress to continue.

It was not long ago that countries like China, India, Indonesia, Vietnam, the entirety of Sub Saharan Africa and much of Latin America were mired in poverty, a substantial portion of their populations subsisting on \$1-2 dollars a day. Now, after decades of work by the international community through the MDBs, the situation for these countries has changed dramatically. These countries now have a growing and dynamic middle class and while there are still significant

pockets of abject poverty, year by year these continue to shrink. These new members of a global middle class are now customers of U.S. companies.

2. A second benefit of the MDBs we are seeing today, as the most dynamic portion of the world's economy is located to a significant degree in the emerging economies. Their success has created new trading partners for the developed world, but particularly for the United States, which is better positioned than any other country in the world to partner with these growing countries, by investing in and trading with these countries and benefiting from these new markets.

The countries with which we are now trying to complete Free Trade Agreements were all beneficiaries of loans from the MDBs and many other emerging markets are even now recipients of MDB funding even while they are rapidly becoming major trading partners of the U.S. A prime example is India, whose trade with the U.S. could well make its firms some of the largest users of the Ex-Im Bank. What is certain is that without the support of the MDBs, certainly in funding but also guidance and technical support, they would not be the sort of trading and business partners that they have become.

The successful transformation of these countries is due in substantial part to the MDBs; in that sense these international agencies have substantially transformed the global economy and brought into the global economic system literally billions of people who several decades before were not participants in that system in any meaningful way. These countries have become inextricable parts of international economy and increasingly significant participants in the global trading system.

3. A third benefit of the MDBs is reflected in the fact the projects and activities themselves represent export opportunities for U.S. companies. The MDBs in 2010 were engaged in close to \$100 billion of projects and programs. Those funds, coupled with resources contributed by the countries themselves represent a vast opportunity for private business. The needs are immense. Not only in infrastructure and energy but now in medical equipment, IT services, communication systems and the like. U.S. companies are ideally situated to pursue these opportunities though, somewhat like small business, there is a necessary learning curve that companies need to go through to understand how to market into these projects. Increasingly, companies need to market in the host country and for some that is a new experience. Nevertheless, the opportunities are real and U.S. companies that have made the effort have been successful doing so. The opportunities now are in sectors where U.S. firms are highly competitive.

Philips Electronics Relationship With Multilateral Development Banks (MDBs)

Let me provide you with the example of Philips Electronics North America a prominent manufacturer in the healthcare and green energy sector which has partnered with the MDBs for over fifteen years:

Philips provides high quality medical equipment that they manufacture in the US, such as MRI, CT, and ultrasound machines, patient monitors, ventilators, ECG equipment and cardiac defibrillators to developing countries through MDB programs. More recently, Philips Lighting has engaged with the MDBs in support of their efforts to promote energy efficiency policies through the procurement of energy efficient lighting products. A senior Philips representative had this to say about the company's experience working with the MDBs:

"MDB Programs Promote US Jobs Through Exports

"Philips has witnessed firsthand the economic development benefits that MDB funded projects confer on recipient countries through our procurement experiences in markets including Albania, Argentina, Azerbaijan, Brazil, Bulgaria, Ethiopia, India, Indonesia, Kenya, Lesotho, Lithuania, Mexico, Nigeria, Peru, Poland, Romania, Russia, Tanzania, Uganda, and Vietnam. This benefit does not inure solely to the developing country, however, as we also have recognized the role MDB projects play in helping to maintain our US employee base of 25,000 and potentially to create new highly skilled US jobs through the promotion of exports.

"As US markets have declined or remained stagnant over the last several years, developing countries have led the world with double digit growth rates. MDB procurement programs offer US manufacturers unique opportunities to enter these vibrant developing markets through a transparent and accountable procurement system that limits the commercial risk. Moreover, manufacturers gain from the ability to increase their exports and to establish themselves within these growing consumer markets and develop a strong market position. These opportunities help to expand the overall US industrial export base, supporting President Obama's goal of doubling US exports by 2014."

As reflected in the above statement from Philips, a significant attraction to MDB processes is the existence over the long term of strong procurement standards that ensure transparency of process and accountability in terms of outcome. The strong MDB procurement practices and standard bidding documents developed over the past several decades reflect strong procurement, transparency and accountability standards on which private sector bidders depend. These elements are vital to promote multilateral development goals, while maintaining the highest standards of integrity and transparency in global procurement. And we hope the Subcommittee will monitor any dilution of these time-honored standards.

Accordingly, we propose the following recommendations to the World Bank and other MDBs to ensure a predictable and accountable procurement system for all bidders:


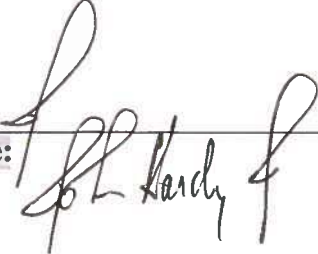
- Maintain the current International Competitive Bidding (ICB) procurement standards and bidding documents
- Maintain Bank procurement oversight of projects involving complex solutions and projects over the current (2010) procurement thresholds
- Enhance mechanisms for dialogue with civil society (NGOs and private sector)
- Ensure that any innovation which involves substantial changes to the existing procurement standards and processes will be tested through a pilot phase
- Ensure that any proposed procurement changes should continue to provide real time effective recourse to bidders for procurement issues (this is one of the most valuable aspects of the current procurement program) including oversight by the integrity units of the MDBs

We thank the Subcommittee for the opportunity to submit this testimony regarding the important role of the Multilateral Development Banks and I will be happy to answer any questions.

**United States House of Representatives
Committee on Financial Services**

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Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name:	2. Organization or organizations you are representing:
JOHN HARDY JR.	COALITION FOR EMPLOYMENT THROUGH EXPORTS
3. Business Address and telephone number: 	
4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?	5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.	
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