REMARKS OF ROBERT MOSBACHER, JR., BEFORE THE HOUSE FINANCIAL SERVICES COMMITTEE'S SUBCOMMITTEE ON INTERNATIONAL MONETARY POLICY AND TRADE, JULY 27, 2011

Chairman Miller, Ranking Minority Member McCarthy, and distinguished members of the Committee, I appreciate the opportunity to testify before the House Financial Services Committee, Subcommittee on International Monetary Policy and Trade, regarding the impact of the World Bank and Multi-Lateral Development Banks (MDBs) on US job creation.

As our country struggles with massive budget deficits and tragically high unemployment, it is only natural that some would question the wisdom of United States contributions to the World Bank and Multi-Lateral Development Banks. Given the fact that the MDBs focus on middle and low-income countries, and not the United States, the temptation of some might be to cut back on our contributions and refocus those resources elsewhere. And yet, such a decision would be extremely shortsighted, in my judgment, because it would negatively impact job creation in the United States at the very time that we are trying to rebuild our economy.

I have spent 28 years helping run a family energy business that is based in Houston, Texas, and operates primarily along the Gulf Coast. However, we have also done business in Latin America, North Africa, Asia, and the Asian Subcontinent. Starting in 2005, I served for over three years as President and CEO of the Overseas Private Investment Corporation, an independent agency of the U. S. Government that operates profitably and helps facilitate U. S. private capital investment in the developing world. I have had the opportunity to witness first-hand the emergence of an interdependent global economy and observe the critical role that the MDBs have played in that growth.

I believe the United States, in general, and American businesses, in particular, derive significant economic benefits from our contributions to the MDBs, and I urge the Congress to continue that support. A few statistics, which this Subcommittee has no doubt heard, help provide the context for my argument.

Nearly 95 percent of the world's customers live outside our borders, and three-fourths of the world's purchasing power. One in three acres of American farmland is planted for consumers overseas, and one in every five American jobs is related to trade. For every 10 percent increase in US exports, there is a 7 percent increase in employment. Over 280,000 small and medium-sized businesses export, and that amount is nearly one-third of all merchandise exports.

One might ask what role do the MDBs play in this scenario, and why should American taxpayers continue to support them? The answer, very simply, is jobs and our own enlightened self-interest in gaining access to new markets and new customers, and competing on a level playing field.

Half of US exports go to developing countries, and those export markets are growing three times faster than exports to other countries. In addition to the huge markets in Brazil, India, and China, the African continent, with its 54 countries, will soon represent a consumer class of over one billion people.

The MDBs are the most effective players in opening new markets and creating more favorable environments for business growth and investment. Using their leverage with governments derived from the loans and financial expertise they provide, the MDBs have been instrumental in helping establish better governance, promoting more transparency in decision-making and bidding, and building stronger structures for the rule of law. Make no mistake about it, corruption has been, and remains a plague in developing world economies, but real progress has been made.

As an example of the impact of MDB engagement in certain countries, the US exports to the ten largest recipients of World Bank support have averaged 8.2 percent over the last ten years, compared to a total US export growth of only 5.1 percent per year. One of the most impressive examples of this growth is Vietnam. Thanks to the World Bank's focus on helping Vietnam create a market economy, US exports to that country have risen 26 percent per year for the past 10 years.

I would like to focus my remaining remarks on two specific sectors in which the World Bank, the IDB, the African Development Bank, and the Asian Development Bank have been absolutely critical to facilitating growth. The first is the financial services sector, and the second relates to infrastructure.

With respect to financial services, credit for most businesses in the developing world, particularly SMEs, has been largely nonexistent. There are rare exceptions, but in most cases, an SME could not get a loan or a line of credit at a commercial bank without meeting such onerous collateral requirements that it made the whole proposition impossible. As a result, SMEs were, and often still are, severely constrained in terms of their capacity to grow. That means that their ability to purchase American goods and services is limited, because so many are so thinly capitalized.

In recent years, that has begun to change. Each of the MDBs mentioned, and others, have launched major initiatives in cooperation with local banks to increase access to credit and capital on terms that businesses can afford. This includes expanded trade finance, which helps the businesses pay for imports in advance of actual sales in country.

While at OPIC, I focused much of my attention on helping US financial institutions expand into more emerging markets. Working with the International Finance Corporation (IFC) of the World Bank, and the Multi-lateral Investment Fund (MIF) of the IDB, I saw how transformational an impact greater access to credit can have on local SMEs. Those same SMEs now have the resources to expand their businesses, hire more people, and buy more American goods and services.

To the extent that the MDBs help local banks develop conventional mortgage products that give rise to housing construction and home ownership, US companies compete very effectively for the sale of building materials and home fixtures. There are countless other examples of additional economic benefits to US businesses that will emerge from this newfound access to credit and capital that has been unleashed as a result of the concerted efforts of the MDBs and other international financial institutions, including OPIC.

With respect to infrastructure, the absence of sufficient electricity, water sanitation, and roads remains one of the greatest needs of the developing world. For instance, of the 1.5 billion people living in the world without electricity, 80 percent live in Sub-Saharan Africa. While hydropower represents 45 percent of Sub-Saharan Africa power generation, only 4 percent of the continent's commercially exploitable potential has been tapped. As various countries in Sub-Saharan Africa, Latin America, and Asia continue to grow, investment in infrastructure on a massive scale will need to take place. The MDBs are the principal source of project financing for these investments. The African Development Bank, and the IDB in particular have made financing of infrastructure projects a very high priority.

This represents an excellent opportunity for American construction companies, equipment manufacturers, and system operators to bid on these major projects. If the MDBs do not take a lead in financing these projects, which most commercial banks are unwilling to finance by themselves, the playing field will be left primarily to the Chinese. With Chinese investment and finance, come Chinese approaches on transparency and governance, as well as Chinese political influence.

I have not spent much time on the leadership and influence that the US is able to exercise through the MDBs as a result of our contributions, because the focus of this hearing is the relationship between the MDBs and US job creation. However, I consider that leadership and influence extraordinarily important, as I do the assistance the US Government has received from the MDBs in tackling challenges such as violent extremism and global poverty.

In conclusion, I urge continued US support of the MDBs for a host of reasons, not the least of which is the critical role they play in helping American businesses sell more goods and services to that 95 percent of the world's customers that live outside our borders. More exports, more investments, and freer trade are the only ways we will generate the kind of broad-based economic growth and prosperity for our citizens that we all desire.

United States House of Representatives

Committee on Financial Services

"TRUTH IN TESTIMONY" DISCLOSURE FORM

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:
Robert Mosbacher, Jr.	I am Chairman of Mosbacher Energy Co. and am former President & CEO of OPIC. However, I am representing neither in my remarks to the Subcommittee today.
3. Business Address and telephone number:	
[redacted]	
4. Have you 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 organizations you are representing 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?
☐ Yes ☒ No	☐ Yes ☒ 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.	
7. Signature:	

Please attach a copy of this form to your written testimony.