

STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL TRADE AND FINANCE
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
UNITED STATES SENATE

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Mr. Chairman, Senator Bayh, Members of the Subcommittee:

I am pleased to be here today to testify on the Bush Administration's plan to rebuild Iraq and establish the foundation for a stable, democratic society. There are three pillars to the successful reconstruction of Iraq: physical security, political stability, and economic growth. I want to focus on the economic needs of Iraq and how to pay for them. In particular, I want to discuss the role the Bank is playing in this effort as it pursues its mission of supporting U.S. exports and the U.S. jobs they represent.

As my colleagues from the Departments of State and the Treasury have noted in their testimonies, it is estimated that Iraq will need \$50-\$75 billion in future years for reconstruction. So how will all of this be financed? One source is, of course, U.S. funding. I think the President's speech demonstrates the high priority the Administration places on this effort.

Another source is, of course, donor support from other countries, on which the Administration is actively working.

But, of course, Iraq has its own resources. Iraq is a country with an educated people, a rich heritage, and significant natural resources, including tremendous oil reserves. The Administration expects Iraqi oil and other revenues and recovered assets to contribute to meeting Iraq's reconstruction needs. The U.S. economic contribution is designed to have an immediate and significant impact on the sectors critical to stability and growth. In this regard, Ex-Im Bank is working on several initiatives to help Iraq move toward the utilization of its own resources for its own development.

While our mandate is to support U.S. exports and U.S. jobs, U.S. exports and trade in

general are powerful tools of economic growth. Re-establishing Iraq's trade with its neighbors and the world is a key element in rebuilding Iraq's economy, and opening Ex-Im Bank's programs in Iraq will further this objective while fulfilling our mission to support U.S. exports.

In an important step forward in helping to rebuild the Iraqi economy, the Board of Directors of Ex-Im Bank recently notified Congress of a proposed \$500 million short-term insurance facility to cover transactions with the new Trade Bank of Iraq. The Trade Bank was established by the Coalition Provisional Authority (CPA) to support Iraqi reconstruction by providing trade finance services. Under the proposed program, Ex-Im Bank financing would be available for U.S. exporters seeking to provide the goods and services necessary to help Iraq embark on the road to a secure, just, and prosperous future. Ex-Im Bank will insure letters of credit issued through the Trade Bank for up to one year.

The Trade Bank will support Iraqi imports funded, via the Development Fund of Iraq, by current Iraqi oil export revenues. The Ex-Im Bank program is anticipated to be available soon after the expected initiation of operations of the Trade Bank. This facility is also expected to serve as a model for other export credit agencies that are interested in providing similar support for the Trade Bank – making this a multilateral effort. We expect that Ex-Im Bank's program, in conjunction with the Trade Bank and similar programs initiated by other ECA's, will help jump-start the flow of trade into Iraq.

But after we are done patting ourselves on the back, we cannot expect current Iraq oil revenue to begin to generate the money needed now to ensure Iraq's success. Pay-as-you-go is not likely to cut it.

So, other than the U.S. taxpayer and international donor contributions, where can the money come from?

Foreign Investment: One answer is foreign investment. Creating the right climate for foreign investment will provide dividends directly to the citizens of Iraq. This will require the economic stabilization of Iraq, including prompt resolution of Iraq's external debt.

As one player in this area, we stand ready to respond. The business of Ex-Im Bank is to provide guarantees, insurance and project finance for projects as soon as conditions make such financing possible. We are willing to meet this challenge to the extent it benefits U.S. exporters and creates U.S. jobs. We fully expect the other export credit agencies to do the same thing for their exporters, again creating the circumstances for a

significant multilateral effort.

The Bank has a history of providing innovative financial solutions during times of political transition. It played a major role in the administration of the Marshall Plan. Also, in the 1990's the Bank utilized an oil and gas framework agreement for Russia so that investment in oil infrastructure was possible as the Soviet Union evolved into the CIS and then to Russia. As these cases suggest, it would be sound policy for Ex-Im Bank, and also for export credit agencies worldwide – of which there are 26 in the OECD – to support these efforts.

In closing, let me emphasize that Iraqis need to realize some economic value today in order to establish the physical security, political stability, and economic development their country needs – and to which the United States is fully committed.