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“Economic Statecraft for the Twenty-First Century Act”

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Chairman Menendez, Ranking Member Risch, and distinguished Members of the Committee: Thank you for inviting me to testify today on the U.S. Trade and Development Agency’s (USTDA) role in the U.S. government’s economic statecraft.

USTDA’s Unique Dual Mission

USTDA is the only foreign assistance agency that has a mandate to support U.S. jobs through exports. Our role is to support the development of sustainable, high-quality infrastructure in developing and middle-income economies, while creating U.S. export opportunities related to the infrastructure projects that we support. This unique dual mission places us at the leading edge of U.S. economic statecraft in emerging economies around the world.

USTDA’s Strategic Toolkit

USTDA engages at the most critical and strategically important stage of the infrastructure development cycle. We provide grant-based funding to overseas project sponsors for project preparation activities such as feasibility studies, technical assistance, and pilot projects. U.S. companies perform these activities, which include the definition of technical and design options for infrastructure projects in sectors including clean energy, information and communications technology, transportation, healthcare infrastructure, and agribusiness. This is critical to American competitiveness; if we do not define the requirements for these projects, then our competitors certainly will.

USTDA’s tools are essential for structuring infrastructure projects that can be financed, implemented, and sustained. Our work helps to build a pipeline of bankable infrastructure activities for U.S. government agencies, such as the Export-Import Bank of the United States (EXIM) and U.S. International Development Finance Corporation, and trusted international financial institutions including multilateral and regional development banks, and private banks. These partners increase the likelihood of implementation of infrastructure projects – both public and private sector in nature – into which U.S. goods and services may be exported.

In addition to project preparation assistance, USTDA’s toolkit also includes partnership-building activities that connect overseas project sponsors to U.S. financiers, suppliers, and regulatory and

policy experts, with the goal of sharing knowledge, building relationships, and finding solutions for the challenges that our partners face.

This strategic toolkit allows USTDA to uniquely contribute to U.S. government priorities such as the Partnership for Global Infrastructure and Investment (PGII), which G-7 leaders launched in June. PGII will deliver game-changing projects to close the infrastructure gap in developing countries, strengthen the global economy and supply chains, and advance U.S. national security. The initiative will mobilize hundreds of billions of dollars and deliver quality, sustainable infrastructure that will make a difference in people's lives around the world while creating new opportunities for American workers and businesses. Many of the projects that USTDA has funded in the past year and will fund moving forward align with PGII's overall objectives.

Measurable Results

USTDA's work has produced excellent results. In addition to developing high-quality, sustainable infrastructure in emerging economies, the Agency currently generates an average of \$117 in U.S. exports for every \$1 invested in its programming. USTDA has supported more than \$76 billion in U.S. exports since our founding in 1992. These exports have benefited U.S. companies across the United States, including small businesses from more than 370 communities.

USTDA has generated these results with a modest budget, including a budget of \$79.5 million in fiscal year 2022. The President's Fiscal Year (FY) 2023 Budget Request for USTDA of \$98 million, which represents a \$18.5 million increase from FY 2022, will allow the Agency to build upon these proven results and track record of successfully supporting U.S. jobs and fostering economic growth in its partner countries.

Emerging Economies Want U.S. Partnership

As the U.S. government's overseas project preparation agency, USTDA sees firsthand the increasingly fierce competition for strategically important infrastructure projects from government-backed firms. For example, the People's Republic of China (PRC) often heavily subsidized and opaque financing practices pave the way for PRC-associated companies to prepare and develop infrastructure projects, foreclosing export opportunities for U.S. businesses and harming American competitiveness in global infrastructure development.

U.S. exporters are increasingly requesting USTDA intervention to compete in markets where they face unfair competitive practices. At the same time, emerging economies desire partnership with the United States because we offer positive alternatives for their economic development, as well as access to a private sector whose innovation and creativity are second to none.

USTDA offers a stark alternative to China and others predatory development practices. The premise of our program is partnerships that are based on trust, mutual benefit, and collective prosperity. Our approach is effective because it is based on the shared priorities of our overseas partners and U.S. industry. Moreover, USTDA is able to advance these shared priorities because

of its unique set of project preparation and partnership-building tools, as described in the following examples.

Training Grants: Countering PRC Competition

Subsea fiber optic cables are an essential component of the world's telecommunications infrastructure. In recent years, USTDA has leveraged tools including the Agency's training grants to help ensure these new cable systems are built with U.S. technology. One of the most significant cable systems now under development is the Southeast Asia–Middle East–Western Europe 6 (SMW6) subsea fiber optic cable system, which will link Singapore to France over a distance that exceeds 10,000 miles. The scale and importance of this project drew the attention of global technology providers and the support of their governments, including China's HMN Technologies Co., Ltd. (formerly Huawei Marine Networks Co., Ltd.).

In the face of this competition, USTDA helped New Jersey-based SubCom, LLC, win this \$600 million contract by offering specifically designed training assistance to five of the countries involved in the selection process. Our offer was conditioned on their selection of SubCom's technology, which is manufactured in New Hampshire. Thanks in part to a whole-of-government effort, including support at the tender stage from EXIM, SubCom won the contract and will be the trusted vendor on a project that will transmit large volumes of data across almost half of the world.

Reverse Trade Missions: Introducing Overseas Partners to U.S. Solutions

Reverse trade missions (RTMs) are another strategic component of USTDA's toolkit. RTMs bring overseas decision-makers to the United States to introduce them to the design, manufacture, and operation of U.S. goods and services. These RTMs build and deepen long-term commercial partnerships between foreign buyers and American exporters, while showcasing the technological edge and Made-in-the-USA quality and reliability that U.S. companies offer. RTMs are targeted toward specific opportunities and are timed for the critical point when foreign procurements are imminent or being structured.

In South America, USTDA organized an RTM to introduce Chilean and Ecuadorian telecommunications operators to U.S.-centric solutions for a subsea fiber optic cable to connect South America to Asia. USTDA's engagement was in direct response to a proposal from China's Huawei for a transpacific cable that would have routed all of its cable traffic through China. USTDA's RTM engaged Chile on the routing, cybersecurity, and technology implications of pursuing a China-focused approach. The RTM also addressed the policy, regulatory, and financial considerations for implementing projects of this nature. By familiarizing the telecommunications officials with U.S. subsea and land-based fiber optic cable technologies and related infrastructure solutions, USTDA's efforts, and engagement by U.S. industry, helped in re-designing the cable routing through Australia.

Partnering to Help U.S. Small Businesses Compete Against China

USTDA's tools are also effective at helping U.S. small businesses compete and win in emerging economies overseas. Under the U.S. government's Power Africa initiative, USTDA was part of a whole-of-government effort to help Illinois-based small business Weldy-Lamont Associates win a major rural electrification project in Senegal against a PRC-led consortium.

USTDA funded an RTM to the United States to introduce Senegalese power officials to U.S. solutions and offered specialized training assistance if they selected Weldy-Lamont for their project. USAID initiated the U.S. government's support by referring Weldy-Lamont to USTDA. The U.S. Departments of Commerce and State strongly advocated on behalf of the company to the Senegalese government. When Weldy-Lamont was ultimately selected, EXIM approved \$97.7 million in financing for the project, which is supporting approximately 500 U.S. jobs in nine U.S. states. This is a great example of how USTDA works with its interagency partners to support U.S. companies facing steep competition overseas.

Promoting Trusted Regional Partnerships

USTDA also contributes to the development of trusted regional partnerships that serve our government's broader economic statecraft goals. This includes advancing the U.S. Department of State's work to harmonize U.S. government efforts on priorities such as the India, Israel, United Arab Emirates and United States initiative, or "I2U2."

During the I2U2 leaders meeting held earlier this month, President Biden highlighted a USTDA-funded feasibility study that will advance a \$330 million hybrid renewable energy project in India's Gujarat State consisting of 300 megawatts (MW) of wind and solar capacity complemented by a battery energy storage system. The I2U2 group will work together to promote business and investment opportunities related to the project, which will contribute to India's goal of achieving 500 gigawatts of non-fossil fuel capacity by 2030.

Such projects have the potential to demonstrate the value of partnership with the United States and its allies on economic development solutions that are innovative, creative, and built on a foundation of trust and collective prosperity.

USTDA coordinates with like-minded partners to present positive economic development alternatives to those offered by China. In the Indo-Pacific region, our partnership with Australia's Department of Foreign Affairs & Trade has built USTDA's Pacific Islands portfolio to include U.S. private sector-led studies that support the digital transformation of the Central Bank of Solomon Islands, strengthen electricity access for Papua New Guinea's nine million citizens, and increase renewable power generation in Tonga.

In partnership with the U.S. private sector and our allies, USTDA is helping these island countries define the technical and financial requirements for high-quality infrastructure that will last a generation and contribute to their long-term economic resilience.

Partnering on Quality Infrastructure

One of the best economic statecraft tools is the U.S. private sector itself. Their high-quality solutions are sought by USTDA's overseas partners, but often come at a higher up-front price. This is problematic when international tenders use "lowest price" as the primary deciding factor

for award. In our experience, this practice has long plagued emerging economies, leading to failed infrastructure projects and harmful development outcomes.

To address this issue, USTDA established the Global Procurement Initiative, or “GPI,” to train public officials on practices and policies that integrate life-cycle cost analysis and best-value determinations into their procurement decisions.

This initiative is popular with our partners. In fact, USTDA has partnered with Japan’s Ministry of Economy, Trade and Industry (METI) to strengthen procurement capacities in the Indo-Pacific region. To date, USTDA and METI have collaborated on a number of joint procurement-related training activities, including clean energy in Indonesia and transportation in Vietnam.

The GPI now has 15 partner countries, and its programs are increasingly being requested by countries that want to move beyond low-cost, low-quality solutions. The GPI is a highly innovative tool of economic statecraft that is helping our partners acquire high-quality, sustainable infrastructure with overall savings to their government.

Global Economic Statecraft

Initiatives such as the GPI demonstrate USTDA’s global reach and ability to creatively tailor its project preparation and partnership-building toolkit to the needs of emerging economies. This programmatic flexibility and nimbleness allow the Agency to contribute to U.S. economic statecraft in many of the fastest-growing and strategically important countries in the Indo-Pacific; Latin America and the Caribbean; Middle East, North Africa, Europe, and Eurasia; and sub-Saharan Africa. Many of USTDA’s activities have important national security implications for the United States and its overseas partners.

For example, USTDA is tackling the climate crisis at home and abroad through initiatives such as our Global Partnership for Climate-Smart Infrastructure. Just over a year since its launch, our initiative has already funded more than two dozen project preparation and partnership-building activities in the clean energy and transportation sectors that are designed to help unlock more than \$50 billion in climate finance and support more than \$12 billion in U.S. exports.

USTDA’s investments in climate action have spurred projects of global significance. In Morocco, a USTDA-funded study led to the development of the \$877 million third phase of the world’s largest concentrated solar power plant, the 510 MW Noor/Ouarzazate Solar Power Station, which became operational in December 2021. This plant is reducing carbon emissions by an estimated 760,000 tons per year while enhancing regional energy security. A U.S. company supplied cooling systems to the project.

In Eastern Europe, USTDA is building on its legacy of promoting energy security through project preparation. In Lithuania, a USTDA-funded study led to the development of the Klaipėda liquefied natural gas (LNG) import terminal, which began operations in 2014 and helped secure the country’s energy independence from Russia. This investment is facilitating a significant volume of U.S. LNG exports to Lithuania, which has become a regional LNG hub. The country is now supplying gas to Estonia and Latvia, and recently opened a new pipeline connection to Poland, enabling the countries to share gas. USTDA’s investment in the Klaipėda LNG import

terminal was a mere \$826,000, whereas the return on investment to European and American national security interests is incalculable.

USTDA is currently working with our U.S. industry and Eastern European partners to advance the region's energy security using innovative clean U.S. technology. In particular, USTDA is laying the groundwork for the deployment of U.S. small modular reactors (SMR) in Romania, where a USTDA-funded siting study and technology assessment led to Romania's selection of Oregon-based NuScale Power, LLC, to build an SMR plant on the site of a shuttered coal-fired power plant. This would be the first deployment of U.S. SMR technology to Europe.

USTDA is also working with NuScale in Ukraine, where the Agency is funding a licensing gap analysis to create the appropriate regulatory environment to support the future deployment of U.S. SMR technology.

Conclusion

USTDA's project preparation and partnership-building activities are critical to U.S. economic statecraft in the twenty-first century and to our long-term competitiveness in the world's fastest-growing and most strategically important markets. As such, USTDA will continue its steadfast support of U.S. industry interests while advancing the sustainable infrastructure development priorities of our overseas partners.