

INTERNATIONAL SYSTEMS & CONTROLS CORP.,
Washington, D.C. May 20, 1968.

Hon. WRIGHT PATMAN,
Chairman, House Banking and Currency Committee,
U.S. Congress, Washington, D.C.

DEAR MR. PATMAN: I appreciate the opportunity to submit this written testimony on behalf of House Bill 16162.

In 1964 and 1965 I served in the government as the President's National Export Expansion Coordinator. At the present time I am Vice President and Director of the International Systems & Controls Corporation, which does an estimated 35 million dollars worth of business overseas each year. This business consists of consulting engineering, engineering construction, and the export of capital equipment.

In 1965 I proposed the establishment within the Export-Import Bank of a National Commercial Interest Loan Fund to achieve what I believe to be substantially the same objectives as are sought in H.R. 16162. The substance of this proposal, was also contained in a Bill prepared and submitted in 1965 by Senator Warren G. Magnuson, Chairman of the Interstate and Foreign Commerce Committee of the Senate. During the hearings on Senator Magnuson's Bill various industries—particularly those engaged in the export of capital goods and those engaged in overseas engineering and construction—testified that the establishment of such a Special Fund would make it possible for them to increase substantially their exports to foreign countries.

My experience in private business since January 1966 has made it even more clear how urgent is the establishment of a Special Export Program and Guarantee Fund as proposed by H.R. 16162. Increasingly we find that, even where American firms have superior technology, better products, and better delivery schedules, the critical factor in competing for overseas markets particularly where capital goods are involved—is competitive finance.

I have been convinced for some time that the export program in the United States would fare much better if the Export-Import Bank were more willing to take greater risks to support the efforts of American businessmen. The management of the Export-Import Bank, however, has construed its charter in such a way as to operate with great prudence in selecting transactions which they have been willing to finance. I am pleased, therefore, to see that EXIM has joined in urging the passage of H.R. 16162 which would authorize it to do financing in situations where the risks are higher than normal.

It is an axiom within the business community that if one wants the fruits of new and expanding markets, one must accept the risks of going into them. The private business community has been willing to take these risks, but in the absence of specific legislative authority EXIM has been reluctant to support the private business community in these endeavors. The following are some examples of situations where opportunities exist for American businessmen and for export expansion but in which difficulties with respect to finance have been experienced in the past:

1. There are countries such as Iran in the Middle East, Taiwan in the Far East, Spain and Greece in Europe, Mexico and Venezuela in South America which should be classified as in the intermediate stages of economic development. These countries have moved out of the AID phase; they have developed sufficient revenues and a sufficiently broad economic base so that they have come to represent major opportunities for commercial development and expansion.

As the U.S. has phased out its aid program in these countries, companies from other industrialized countries have moved in supported by liberal commercial credits on terms more favorable than those made available through the EXIM Bank. Perhaps on the theory that the longer the terms the greater the risk. EXIM has been unwilling to match the commercial financing offered by other countries in these burgeoning markets and as a consequence, U.S. business has been increasingly displaced by companies from Western Europe and Japan.

2. From time to time the developing countries in Latin America, Africa, Asia and the Middle East experience balance of payments difficulties. At such times the EXIM Bank takes the position that it is unwise to extend further commercial credits. Nevertheless, it becomes necessary at times to enter the markets of those countries at the strategic time when the market is being developed, or suffer the consequences of being permanently excluded. This is because special commercial advantages accrue to the company and country which initiates certain kinds of