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Who is doing renewables/energy paper for Gene?

Timothy E. Punke
09/13/2000 10:09:40 AM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: John D. Duncan Jr/NSC/EOP@EOP, Timothy E. Punke/OPD/EOP@EOP
Subject: G8 Tasker

FYI, attaching a copy of the tasker sent out yesterday to agencies. Note the deadline for submission of materials -- OOB, Monday, September 18. Please let me know if you have any questions. Thanks.

-- TEP 456-5363

G8 Tasker.do

Message Sent To:

Roger S. Ballentine/WHO/EOP@EOP
Laura L. Efros/OSTP/EOP@EOP
Ian A. Bowles/NSC/EOP@EOP
c.pence@state.gov @ inet
Kenneth W. Bernard/NSC/EOP@EOP
Mark C. Medish/NSC/EOP@EOP
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Human Services

MEMORANDUM FOR

Mr. Leon FUERTH
Assistant to the Vice
President for National Security Affairs

Mr. David BEIER
Assistant to the Vice
President for Domestic Affairs

Ms. Kristie A. KENNEY
Executive Secretary
Department of State

Mr. Neal COMSTOCK
Executive Secretary
Department of the Treasury

Col. Maria I. CRIBBS
Executive Secretary
Department of Defense

Ms. Frances F. TOWNSEND
Counsel for Intelligence Policy
Department of Justice

Mr. Eric OLSEN
Chief of Staff to the Secretary
Department of Agriculture

Ms. Amy BELLANCA
Executive Secretary
Department of Commerce

Mr. Michael GRANT
Executive Secretary
Department of Labor

Ms. Lavarne BURTON
Executive Secretary
Department of Health and

Mr. James N. SOLIT
Director, Executive Secretariat
Department of Energy

Mr. Philip S. LINK
Director, Executive Secretariat
Department of Education

Mr. William A. NITZE
Assistant Administrator for International
Activities
Environmental Protection Agency

Ms. Carmen SURO-BREDIE
Assistant USTR for Policy Coordination
US Trade Representative

Mr. Thomas H. WOLFE
Executive Secretary
Central Intelligence Agency

Mr. Martin BAILY
Chairman
President's Council of Economic Advisors

Mr. Robert A. BRADTKE
Executive Secretary
National Security Council

Dr. Gerald EPSTEIN
Assistant Director for National Security
Office of Science and Technology Policy

Ms. Ryan CONROY
Executive Secretary
Agency for International Development

Mr. Clyde ROBINSON
Vice President and Counselor to the Chairman
Export-Import Bank of the US

Ms. Barbara CHOW
Deputy Assistant to the President
Domestic Policy Council

Mr. John C. HOYLE
Secretary of the Commission
Nuclear Regulatory Commission

Mr. George MUNOZ
President & CEO
Overseas Private Investment Corporation

Mr. George FRAMPTON
Chairman
Council on Environmental Quality

Ms. Janet CRIST
Chief of Staff
Office of National Drug Control Policy

SUBJECT: September G-8 Sherpa Meeting: Request for Briefing Materials

G-8 Sherpas will hold their first meeting following Okinawa at the end of September in Paris. In preparation for the meeting, we request the following materials on all agenda topics requiring discussion or action for the briefing book of U.S. Sherpa, Gene Sperling.

All materials should be submitted by **OOB Monday, September 18, 2000**, cleared by all appropriate agencies. Clearances from NEC (NOTE NEW FAX NUMBER: 456-5334) and NSC staff (the appropriate regional or functional directorate) are required on all papers, prior to submission by Agencies' Executive Secretaries to the NEC. Drafters should seek these clearances as soon as possible in the drafting process. Every effort should be made to provide the papers in unclassified form. Questions regarding interagency clearance or the briefing papers should be directed to Timothy Punke at the NEC (456-5363). **Please submit final papers to Timothy Punke (223 OEOB) an electronic version on an IBM compatible disk in Word 97 format, and email a copy to timothy_punke@opd.eop.gov. Please ensure disks have been scanned for viruses.**

I. Sherpa Meeting Guidance

At the Meeting, Sherpas will discuss follow-up on Okinawa and overall goals for the next G-7/8 Summit.

Papers on the topics listed below should highlight past progress, goals and work that needs to be done to achieve these goals, and particular steps that should be taken at the Meeting. In the background section, papers should cover recent developments on these issues as well as relevant G-7/8 meetings, developments since the Okinawa Summit, and the positions of all the other members of the G-7/8. Papers should not simply discuss the U.S. position on a particular topic, but must explain how it relates to the positions on the issue of other G-7/8 members, including a strategy for moving significant members to our position.

Papers should be concise (3-5 pages), and provide the following, by section:

- Description of key issue(s);
- Several key talking points in bullet form giving further detail on the positions the U.S. Sherpa should take;
- Summary of the other G-7/8 country positions;
- Several paragraphs of background. This section should reflect any development since the Okinawa Summit, as well as a brief history of the issue's evolution in the G-7/8.

In summary, the Sherpa should be able to look at a paper and understand how the position first developed, how it has evolved since then in the G-7/8, major milestones in its evolution, developments since the Okinawa Summit (including meetings, letters, etc), where the issue stands as of the time the paper was drafted, how that position corresponds with positions on the issue of other G-7/8 members (including which members we need to convert to our position and how that might be accomplished), what the ultimate U.S. goals are on the issue, and our strategy for reaching that goal. The strategy should set forth specific, concrete steps that the Sherpa should pursue.

In addition, agencies should include additional information and background reading as tabbed addenda (e.g., Memos, articles, position papers, etc.).

If all relevant issues are not adequately covered, papers will be returned to the Agency for redrafting. Given the time constraints, it is essential that papers be drafted correctly the first time.

II. G-7 Topics	**Agency Lead**	**Cleared By**
Russia Economic Situation	Treasury	State, OVP, AID
Russia Political Situation	State	OVP, NSC
Russian Debt Situation	Treasury	State, OVP
Russian Investment Forum	State	OVP, Treasury
Chechnya	State	NSC
Nuclear Safety (Russia)	State	DOE, OVP, Treasury, NRC
Nuclear Safety (Ukraine)	State	DOE, OVP, NRC, AID, Treasury

HIPC Including countries in conflict and non-productive expenditures	Treasury	State, AID
G-7 Economic Comparison	Treasury	CEA
Economic Outlook for Asia, Latin America and Africa	Treasury	State, OVP, CEA
Financial Architecture	Treasury	State, CEA
Oil	Treasury	State, DOE, OVP, CEA
European Economic Integration Issues	Treasury	State, CEA

III. G-8 Topics	**Agency Lead**	**Cleared By**
Macroeconomic Outlook for G-8 Countries	Treasury	CEA, State
Development – Universal Basic Education	State/AID	OVP, Treasury
Development -- Infectious Disease/AIDS	OSTP	State, OVP, AID, HHS, Treasury
Development -- HIPC	Treasury	State, AID
Development -- Poverty Reduction and Globalization	State	Treasury, AID
Environment, including renewable energy	State	CEQ, Treasury, EPA, AID, DOE, OVP
Information Technology Dot Force - Structure & Operation	State/OVP	Commerce, Treasury
Information Technology Development Agenda	State/OVP	AID, Treasury
International Crime, Including drugs, high-tech crime	State	DOJ, Treasury, ONDCP
E-Mail Network for Sherpas	State	NEC

Outreach -- Working with G-15, G-77 and NAM to receive their views	State	Commerce, Treasury, USTR
Conflict Prevention Econ. & Development Aspects	State	Treasury, AID

NATIONAL SECURITY COUNCIL

FAX COVER SHEET

From: Ian Bowles (at NSC travel office, Okinawa)

To: David Sandalow, Dan Reicher, Roger Ballentine

Agency:

Fax Number: 647-0217, 586-9260, 456-~~1482~~ 1736

Date/Time:

No. of pages to follow:

Message:

David/Dan/Roger – Please see attached from the Italian and UK on the proposed G8 task force on renewable energy. Looks like they are attempting to add some flesh to the bones of this idea. Substantively, it looks better than the one very general reference I've seen before, with more focus on concrete actions and donor coordination and less on new studies.

Questions for you all: (1) Any additional substantive/framing reactions? One reaction I had was that we need to add more on public finance (ECAs, IFIs, development assistance priorities/standard, etc.) (2) Ideas on task force members – my thought (and I think that of David's) was that this was a job for Dan R. as a USG representative. For private sector, do we want to think about people like Tom Kasten, other CEO types come to mind? Also, thought getting an India private sector person like someone from CII would make sense. (3) David – what is your feedback on Clini, the Italian. Stewart – views on him? Am more familiar with John Browne, but have heard good things.

Things are a little up in the air out and its definitely not clear to me how much (if any) may or may not get decided out here (including whether anyone is serious about the idea of naming potential task force members,) but as you can see from the attached fax, there is at least some more concrete thinking from Italy and UK at the moment. Any feedback you can provide quickly would be useful. If at all possible, reactions/thoughts on these questions by COB Friday your time & faxed out here via the Situation Room at 202 757-2678 (pls ask SitRoom to expedite and get out to Okinawa NSC office asap) would be welcome. Thanks in advance and apologies for the short notice. Given time differences, I will be hard to reach, but will leave you all voice mail on this item. Thanks, Ian

Il Rappresentante Personale del Presidente del Consiglio per il G7 - G8

RENEWABLE ENERGY

Following our agreement on communiqué language at the Plenary, I have been considering, in discussion with Jeremy, how we might best take the initiative on renewable energy forward. In our view it would be excellent to announce at Okinawa who will chair the task force. This will give the initiative immediate momentum and will enable the task force to start work promptly with a view to delivering a report to G8 Heads early in 2001.

We propose that the G8 appoints two co-Chairs from the public and private sectors respectively. As discussed it is important that the group seeks balanced views from government and business and this will help ensure a good balance. Please find attached revised terms of reference that reflect these ideas and give a little more detail on the time-scale we suggest.

I would like to propose an Italian figure for the public sector chair. The person that I have in mind is Dr Corrado Clini, Director General of our Environment Ministry. He has gained remarkable experience on renewable sources as Chairman of the Italian Government's Task Force on implementing the Kyoto Protocol. This remit includes the drafting of sectoral strategies for the improvement of energy efficiency and of renewable sources. Dr. Clini has also chaired the European Working Group on energy and environment that drafted the European Council decision on climate change strategies. He was also chairman of the organising committee of the UN International Symposium on Environmental Sound Energy Technologies and their Transfer to developing countries.

I have also discussed the private sector role with Jeremy who has proposed an excellent candidate - Sir Mark Moody-Stewart, the Group Managing Director of the Royal Dutch/Shell group. As well as his sound background in the energy industry Sir Moody-Stewart has a particular interest in expanding energy from renewable sources. The Shell Foundation has recently launched a Sustainable Energy Programme with the aim of developing solutions to the environmental impacts of growing energy use

Il Rappresentante Personale del Presidente del Consiglio per il G7 - G8

and overcoming related poverty in developing countries. As head of a large multinational group Sir Moody-Stewart will also bring a global perspective to the issues.

With such a strong partnership in the chair we believe that the taskforce would achieve a great deal in time for Genoa. I hope that we can discuss these ideas further at the Summit. After Okinawa, and once the co-chairs are in place, I would suggest that G8 members not represented in the chair nominate task force members. To keep the structure light I would suggest that we need not all seek to nominate business sector representatives and officials. The UK will be setting an example by not proposing an official for the group.

We look forward to seeing you in Okinawa.

We are copying this letter to G8 colleagues.

FRANCESCO OLIVIERI JEREMY HEYWOOD

Renewable Energy – G8 Task Force

Terms Of Reference

Introduction

At the Okinawa Summit G8 Heads will deliver a message on energy, calling on stakeholders to identify the barriers and solutions to achieving a step change in renewable energy supply and distribution. The recommendations should be presented to G8 Sherpas in early 2001 so that concrete proposals for action can be developed in time for the Genoa Summit in June. A small task force will be asked to take this work forward.

Task Force Mission

- To identify the main barriers to achieving a step change in the level of supply, distribution and use of renewable energy for sustainable development world-wide.
- To recommend key actions which G8 governments can take to remove these barriers, promote growth in this sector and improve the potential for exploiting, developing and distributing clean energy in developing countries.

Scope

- Industrialised, transition and developing economies all face challenges linked to renewable energy. The broad issue is how to facilitate the development of large-scale sustainable markets in renewable energy.
- But the challenges are different for industrialised countries, with high levels of existing investment in centralised power systems, and for developing economies, looking to increase energy services to rural and urbanising populations.
- The task force should focus on the latter, considering how to address the gaps and barriers, that currently dampen the development of well-functioning markets in this field.
- In addition it is important to consider how existing investment patterns and government policies affect the global market for renewable energy, as this helps to determine energy choices in developing countries.

Specifically, the task force should consider the following areas:

- How government/donor action, can enable communities to exploit the employment and development opportunities offered by renewable technologies.
- How public resources (including ODA) can best support these aims and catalyse private sector involvement
- How to ensure better coordination of existing bilateral and multi-lateral programmes.
- Identifying commercial, institutional and regulatory barriers to the development of a sustainable and fast-growing global market in renewable energy.
- Identifying barriers to ensuring renewable energy services reach poorer communities and the poorest countries
- Identifying barriers to improving the efficiency of renewable energy use.
- How government/donor action, coupled with private sector involvement, can help reduce these barriers and actively enable market growth,

Criteria for action proposals

The Task force should put forward proposals for concrete action. Actions proposed should meet some or all of the following criteria:

- Should increase provision of sustainable energy and help reduce poverty
- meet the demands of small-scale customers
- recognise the important role of the private sector
- focus on releasing the energy of market forces
- foster public/private partnerships
- include key role for business from the developing world and help encourage entrepreneurs
- assist in removing perverse subsidies and facilitating new types of assistance
- encourage technological innovation and best practice in design and implementation
- complement and catalyse current and future initiatives eg bi/multi-lateral programmes

Participants

Dr Riechi
- [illegible]
- Dan Kasper (Gris)
- India -

- Task force should be limited to manageable size
- Should include a balance of G8 government and (CEO level) business representatives plus probably representatives from the World Bank/IFC and International Energy Agency
- Business representatives should include those providing energy services to poor communities in developing countries
- Task force will need to engage with key stakeholders from the outset, particularly players from developing countries, so that proposals reflect the realities of poor peoples' lives
- Will also need to bring in experts to look at particular details or technical issues

Timetable

- July – G8 to announce public/private co-Chairs for task force at Summit
  Co-Chairs and G8 to nominate and identify other Task force members
- Sept – 1st Task force meeting – finalise on major areas of work, decide on division of labour and timetable for further meetings and consultation
  Task force to consult widely eg by inviting papers from stakeholders and through conference/seminar process
- Feb – Task force report to G8 Sherpas

MEMO:
TO: Rosina
FROM: Sam
RE: G8 ECA Issues
DATE: June 21, 2000

Without seeing the technical backup paper mentioned in the letter from Brainerd to Yoshiji, it is impossible to know what is already covered and what gaps there might be.

As placeholders, key issues that we would like to see covered include:

- **Environmental Performance-based Loan Periods**. Allowing longer terms for ECA support for clean energy technologies. For example, given that nuclear energy is currently allowed a 15-year payback, renewable energy and energy efficiency technologies might be allowed 20-year terms where appropriate. Loan periods for fossil technologies should be shortened, according to their level of environmental performance.
- **Minimum Environmental Performance Standards**. All technologies supported by ECAs should meet a minimum standard of performance in terms of life-cycle air pollution and greenhouse gas emissions and other environmental burdens (water, soil), and these performance levels should be strengthened over time.
- **Innovative Environmental Performance-based Financial Instruments.** A variety of innovative financial instruments might be considered in order to overcome the barrier posed by the often high initial capital cost of clean energy technologies. These might include partial loan guarantees, project bundling and securitization, and other actions. To the extent that an innovative mechanism for addressing high initial capital costs may currently not be allowed under the Helsinki accord or other agreements, they should be reviewed and means identified for allowing them where appropriate.
- **World Bank and GEF.** The G8 should strongly encourage the World Bank to strengthen its efforts in support of energy sector reform and restructuring towards open, transparent, competitive markets with full externality costing and WHICH INCLUDE public benefits such as support (perhaps, for example, through nonbypassable wires charges) of innovation, investments in energy efficiency (for example, through third party contracting such as ESCOs), competitive rural energy concessions, support for retail financing, and other such benefits, and for the World Bank to strengthen its portfolio for clean energy technologies. The G8 should strong encourage the GEF to develop mechanisms such as a Demonstration Support Facility, to assist the demonstration of advanced clean energy technologies on a competitive basis, and a Clean Energy Technology Obligation, to provide a systematic competitive mechanism for buying down the cost of advanced clean energy technologies to competitive market levels (see PCAST, "Powerful Partnerships" for details.

DRAFT

June 20, 2000

Dear Yoshiji:

Global Environment Issues

I write with regard to our priorities for the environment for the summit in Okinawa.

For this year's summit, we believe further progress on environmental standards for the export credit agencies (ECAs) is essential. This issue is closely related to those of climate change, renewable energy, and environmental aspects of globalization and it is an area where we are poised to take modest, but concrete steps.

Heads should emphasize the importance of this issue, reaffirm their commitment to the 2001 deadline set last year at Cologne, take note of work in the OECD and amongst the G8, and clarify that the G8 understands "common environmental guidelines" to mean common standards applied in advance. We believe continued G8 leadership is necessary for several reasons. First, although work has begun in the OECD, progress has been slow. Second, the G8 has a different mandate on this issue than the rest of the OECD. Third, since G7 ECAs provide 70% of all ECA financing, our leadership is essential. To move this process forward, we have circulated a technical paper that outlines the simple, cost effective steps that the G8 ECAs can take now to start fulfilling our mandate and establish transparent standards for environmental performance. We need to take concrete steps to reassure the public that their concerns about the impact of globalization on the environment are being addressed.

Progress on the ECAs would be a powerful step to achieve the goals of the UK proposal on renewable energy. Tens of billions of dollars worth of energy sector lending takes place with ECA financing. As a sidebar, I would also note that our proposals for ECA standards are less stringent than those already in place in the International Finance Corporation and agreed to on a multilateral basis.

In general, we support the proposal of the UK for an increased focus on renewable energy. Renewable energy is a top environmental priority for President Clinton and over the past several months, the United States has reached new agreements with key partners such as India and China to promote clean energy and take action on climate change. To be a success, we believe that any G8 effort on renewable energy would need to focus on concrete actions, better coordination of already existing bilateral programs and the important role of the private sector. We would like to reserve judgment on the call for expansion of the World Bank prototype carbon fund pending an assessment of its initial activities. Likewise, we would like to avoid duplication of existing coordination mechanisms.

On the Kyoto Protocol, we are committed to success at COP 6 in the Hague and are heartened by the high level attention being devoted to resolving outstanding issues. While political deadlines may help others in the G8 to reach our common goal of early ratification of the Protocol, such deadlines are unhelpful in our political context given the Constitutional prerogatives of our Senate. In terms of promoting ratification of the Protocol in the United States, a focus in Okinawa on the year 2002 deadline would not be productive.

The foregoing issues - climate change, renewable energy and environmental standards as the ECAs – are all linked. We note that our ECA, the U.S. Export Import Bank, requires full greenhouse gas emission accounting for new projects. The World Bank has also adopted this approach in the energy sector. We are puzzled that others – while advocating meaningful actions to fight global warming and recognizing the special importance of industrialized country leadership - have not taken steps to assess the potential climate change implications of ECA lending. Progress on ECA policies will make an essential contribution to our common goals in this regard.

I look forward to discussing these issues further at the end of the month and will circulate communique language to capture these points. I am also copying this letter to our G8 colleagues.

Sincerely,

Lael Brainard
Deputy National Economic Advisor

What is OECD

The Organisation for Economic Co-operation and Development has been called a think tank, monitoring agency, rich man's club, an unacademic university. It has elements of all, but none of these characterisations captures the essence of the OECD.

The OECD groups 29 member countries in an organisation that, most importantly, provides governments a setting in which to discuss, develop and perfect economic and social policy. They compare experiences, seek answers to common problems and work to co-ordinate domestic and international policies that increasingly in today's globalised world must form a web of even practice across nations. Their exchanges may lead to agreements to act in a formal way - for example, by establishing legally-binding codes for free flow of capital and services, agreements to crack down on bribery or to end subsidies for shipbuilding. But more often, their discussion makes for better informed work within their own governments on the spectrum of public policy and clarifies the impact of national policies on the international community. And it offers a chance to reflect and exchange perspectives with other countries similar to their own.

The OECD is a club of like-minded countries. It is rich, in that OECD countries produce two thirds of the world's goods and services, but it is not an exclusive club. Essentially, membership is limited only by a country's commitment to a market economy and a pluralistic democracy. The core of original members has expanded from Europe and North America to include Japan, Australia, New Zealand, Finland, Mexico, the Czech Republic, Hungary, Poland and Korea. And there are many more contacts with the rest of the world through programmes with countries in the former Soviet bloc, Asia, Latin America - contacts which, in some cases, may lead to membership.

Exchanges between OECD governments flow from information and analysis provided by a Secretariat in Paris. Parts of the OECD Secretariat collect data, monitor trends, analyse and forecast economic developments, while others research social changes or evolving patterns in trade, environment, agriculture, technology, taxation and

Pensions
International Development
Development Assistance Committee
Development Centre
Club du Sahel
Centre for Co-operation with Non-Members
International Migration
Money Laundering
Science and Innovation
Social Issues
Statistics
Sustainable Development
Taxation
Territorial Economy
Trade
Transport

more. This work, in areas that mirror the policy-making structures in ministries of governments, is done in close consultation with policy-makers who will use the analysis, and it underpins discussion by member countries when they meet in specialised committees of the OECD. Much of the research and analysis is published.

How the Organisation is organised

- **Committees**
  - Member countries meet and exchange information in committees. Committees bring together representatives of member countries, either from national administrations or from their permanent delegations to the OECD, co-located with the Secretariat in Paris. The overriding committee is the Council, which has the decision-making power. It is composed of one representative for each member country (as well as a representative of the European Commission). The Council meets regularly at the level of Ambassadors [Pdf 15kb] to the OECD to give general guidance to the Organisation and its work. The Council meets at ministerial level once a year, when foreign, finance and other ministers from member countries raise - and give public prominence to - important issues and set priorities for OECD work over the coming year.
  - Specialised committees meet to advance ideas and review progress in more tightly defined areas of policy - such as trade, public management, development assistance or financial markets. There are about 200 committees, working groups and expert groups. Some 40 000 officials senior from national administrations, come to OECD committee meetings each year to request, review and contribute to work that is undertaken by the OECD Secretariat. And even from home, they have electronic access to OECD documents and can exchange information through the OECD data network.
- **Secretariat**
  - The 1 850 staff of the OECD Secretariat in Paris work directly or indirectly to support the activities of committees. Some 700 economists, scientists, lawyers and other professional staff, mainly based in a dozen substantive directorates, provide research and analysis.
  - The Secretariat is directed by a Secretary-General, assisted by four deputy Secretaries-General. The Secretary-General also chairs the Council, providing the crucial link between national delegations and the Secretariat.
  - The OECD works in two official languages: English and French. Staff members are citizens of OECD member countries but serve as international civil servants with no national affiliation during their OECD posting. There is no quota system for national representation; there is simply a policy of employing highly-qualified men and women with a cross-section of experience and nationalities.
- **Dissecting the Secretariat**
  - The work of the Secretariat parallels the work of committees, with each directorate servicing one or more

committees, as well as committees' working parties and sub groups. But increasingly, OECD work is cutting across sector lines and in cross-disciplinary or horizontal studies. The OECD International Futures Programme, for example, which aims at identifying emerging policy issues at early stages, is thoroughly multidisciplinary. Work on employment and unemployment has brought together macroeconomic specialists, experts on tax and enterprises, on technology as well as labour market and social policy analysts. Environment and economic analysis can no longer be examined in isolation. Trade and investment are inextricably linked. Biotechnology concerns policy for agriculture, industry, science, environment and development. Gauging the effects of globalisation will draw in virtually every field of policy analysis.
  - **OECD Committee Structure, Mandates & Bureaux**
  - **Simplified structure of OECD** [PDF - 35kb]
- **The OECD Budget**
  - The work of the OECD Secretariat is financed by the Member countries. The annual contribution of each Member country is calculated according to the weight of its economy. The United States is the biggest contributor followed by Japan. Countries can also elect to finance specific programmes or projects. It is the Member countries assembled in the Council who determine both the size of the annual budget, which at the present time is around US$200 million, and the programme of work.

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Updated 29-05-2000

June 20, 2000

Dear Yoshiji:

I write with regard to our priorities for the environment for Okinawa.

For this year's summit, we believe further progress on environmental standards for the export credit agencies (ECAs) is essential. This issue is closely related to those of climate change, renewable energy and environmental aspects of globalization and it is an area where we are poised to take modest, but concrete steps.

Heads should emphasize the importance of this issue, reaffirm their commitment to the 2001 deadline set last year at Cologne, take note of work in the OECD and amongst the G8, and clarify that the G8 understands "common environmental guidelines" to mean common standards applied in advance. We believe continued G8 leadership is necessary for several reasons. First, although work has begun in the OECD, progress has been slow. Second, the G8 has a different mandate on this issue than the rest of the OECD. Third, since G7 ECAs provide 70% of all ECA financing, our leadership is essential. To move this process forward, we have circulated a technical paper that outlines the simple, cost effective steps that the G8 ECAs can take now to start fulfilling our mandate and establish transparent standards for environmental performance. We need to take concrete steps to reassure the public that their concerns about the impact of globalization on the environment are being addressed.

Progress on the ECAs would be a powerful step to achieve the goals of the UK proposal on renewable energy. Tens of billions of dollars worth of energy sector lending takes place with ECA financing. As a sidebar, I would also note that our proposals for ECA standards are less stringent than those already in place in the International Finance Corporation and agreed to on a multilateral basis.

In general, we support the proposal of the UK for an increased focus on renewable energy. Renewable energy is a top environmental priority for President Clinton and over the past several months, the United States has reached new agreements with key partners such as India and China to promote clean energy and take action on climate change. To be a success, we believe that any G8 effort on renewable energy would need to focus on concrete actions, better coordination of already existing bilateral programs and the important role of the private sector. We would like to reserve judgment on the call for expansion of the World Bank prototype carbon fund pending an assessment of its initial activities. Likewise, we would like to avoid duplication of existing coordination mechanisms.

timely

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The foregoing issues - climate change, renewable energy and environmental standards as the ECAs – are all linked. We note that our ECA, the U.S. Export Import Bank, requires full greenhouse gas emission accounting for new projects. The World Bank has also adopted this approach in the energy sector. We are puzzled that others – while advocating meaningful actions to fight global warming and recognizing the special importance of industrialized country leadership - have not taken steps to assess the potential climate change implications of ECA lending. Progress on ECA policies will make an essential contribution to our common goals in this regard.

I look forward to discussing these issues further at the end of the month and will circulate communique language to capture these points. I am also copying this letter to our G8 colleagues.

Sincerely,

TS our only goal res ECAs an accounting of emission impacts but no

ENVIRONMENTAL GUIDELINES
for EXPORT CREDIT AGENCIES (ECAs)

Issue

We need you to emphasize the continued need for a G-8 Experts Group to resolve our differences regarding common environmental guidelines for ECAs, and then to define and develop those guidelines to meet our Summit commitment.

Talking Points:

- At Cologne, Heads committed to develop common environmental guidelines for export credit agencies by the 2001 Summit.

- However, there are deep divisions among the G-7 ECAs on what environmental " guidelines" should encompass. This needs to be resolved before we can make any real progress.

- Therefore, we've been pressing for a G-8 Experts Group that would be tasked with resolving our differences, and then defining and developing guidelines in order to meet our Summit mandate.

- G7 Deputies agreed in Kyoto to have one meeting of this Group before the OECD Ministerial (June 26-27), and to revisit next steps after the meeting.

- The meeting will be held on June 19 at the OECD, just prior to the June 20-21 OECD Export Credit Group Special Session on Environment. Unfortunately, it appears that few Finance and Foreign Ministry officials directly responsible for the Summit process will be attending.

- The date and venue were changed from what we originally proposed in order to accommodate the concerns expressed by some members that we were creating a formal, parallel forum to the OECD – especially when the OECD was making progress.

- We proposed the G-8 Experts Group ***precisely because*** we are burdened in the OECD with: 1) ***two different mandates***; 2) ***two different deadlines***; 3) and ***two different groups of countries*** to negotiate between.

- Therefore, the G-8 Experts Group is initially ***intended*** to work separately from the OECD in order to deal with these issues. It should enable us to bring a common position(s) on guidelines into the OECD process.

- It has proven impossible to simultaneously try to resolve our own differences and develop guidelines while being restricted to the Ministerial mandate in the OECD. Do any of you see another way to meet our mandate ***by the deadline***?

- I agree that there has been progress on fulfilling the ***OECD's mandate*** for "strengthening common approaches" toward the environment. The Action Statement, the Work Plan, and extra work sessions are all positive developments. However, this work in its current form will not lead to the development of common "***guidelines***."

- We fully agree that we need to continue working in the OECD on the Ministerial mandate and its post-2001 Summit timetable. It is not our intent to abandon these negotiations.

  -- But it has become clear that the G-8 need to assume control of fulfilling ***its*** mandate, with ***its*** timetable, and not rely solely on the current OECD process to meet the G-8's needs.

- Our failure to make substantive progress is becoming conspicuous. It will be difficult to explain why we have not reached agreement -- particularly when an Experts Group mechanism was available.

- We need to commit to more work by the G-8 Experts Group. We suggest another meeting in September near the scheduled OECD meeting on environment.

If needed:

- As this is fundamentally a finance issue, we believe that Finance Ministries need to become far more actively involved than they have been. We have one year left, and yet the G-7 haven't even agreed on a common position – much less begun discussing actual guidelines.

- Once we've demonstrated our leadership on addressing environmental issues by having agreed to guidelines ourselves, we can offer a common proposal or range of options on guidelines to the rest of the OECD for their reaction, while remaining alert to forum sensitivity.

- Developing guidelines on our own ***only*** becomes a competitive issue if we were also to ***implement*** those guidelines on our own. Our clear goal should be that implementation takes place in the OECD with all members participating.

- But competitive concerns in this respect demonstrate that they potentially exist among G-7 members, as well. We need to avoid letting the environment become a competitive variable.

- Heads said to work in the OECD because it was the most logical forum. However, we do not believe that choosing that forum was meant to preclude using a mechanism like an Experts Group to resolve G-7 differences and make OECD work more effective.

- I don't believe that an agreement amongst ourselves is *less* likely to be agreed to in the OECD by the non-G-8. Quite frankly, the reverse has happened. When the G-7 are split, OECD work is chaotic. In one clear instance when they were unified, agreement was reached on a Work Plan.

- Quantitative limits are a key element in credible guidelines. We can't preclude them a priori as many G-8 ECAs are doing.

Background

G-7 Positions. The UK and Canada have been nominally the most supportive of our position, but in part due to NGO criticism and domestic pressure. They have been the only other G-7 countries willing to assert their G-7 status in the OECD, but neither are prepared to accept the U.S. definition of guidelines at this time. The UK told us informally that it did not support a G-8 Experts Group, and they coordinated with France and Germany in deciding ***not*** to send senior-level policy officials to the meeting in direct contrast to our request. Both the UK and Germany are only sending one individual, even though we asked for representation from the Finance and Foreign Ministry and ECA

Canada considers itself proactive on this issue, but maintaining flexibility is its overriding concern. Therefore, to avoid real progress it has made disingenuous and/or counterproductive proposals that simply slow down negotiations. They are now coming under heavy legislative pressure to become "green-friendly," but they replied to Larson that they can't support a G-8 Experts Group claiming substantial progress in the OECD. They were also the first to reply negatively to Tim's proposal of a June 9 Experts Group meeting, claiming a heavy travel burden, not seeing the need to devote an entire day to the issue, and not sure that G-7 Deputies agreed to meet outside of OECD auspices. They apparently orchestrated dissent among the other G-7.

Germany's ECA has probably been the most active in opposing our efforts. They have orchestrated dissent among the non-G-7 ECAs as a way to prevent movement of the issue in the OECD and strongly resented (as did all the G-7 ECAs) our G-8 Experts Group proposal. They considered it backhanded because it informed the Foreign and Finance Ministries that ECG members were making no progress, thereby exposing them (also exposing the Economics Ministry, which takes the lead on ECA issues). Germany responded to our G-8 Experts Group proposal by maintaining that work should continue in the OECD, per the G-8 mandate, but that informal G-7 meetings on the margins of the OECD might be possible. They claimed that our proposal would slow down progress rather than expedite, partly due to non-G-8 sensitivities to the imposition of G-8 mandates. (The German and French representatives have privately suggested that their Heads were misguided in agreeing to last year's G-8 mandate.) They also resisted having the Experts Group meet on June 9, claiming a heavy travel burden and the short notice. However, they expressed no concern with the intent or venue of the meeting, nor did they dispute that G-7 Deputies agreed to such a meeting.

France told Larson that a G-8 Experts Group does not appear to be needed since the OECD work is progressing. France also dislikes the idea of facilitating non-G-7 acceptance of guidelines by having the G-7 do the work first. They rightly state that there are differing views as to what constitutes "guidelines" vs. "approaches", but we maintain that an Experts Group is necessary to resolve the substance behind these semantic differences. France could support informal G-7 meetings in the margins of the OECD, and reiterated that the OECD is the most appropriate forum for such meetings rather than the separate meeting we proposed for June 9. Not surprisingly, France wants to retain a clear linkage with OECD work and believes that creating a parallel G-8 forum will make it more difficult to achieve our goal because prescribing guidelines to the non-G-7/8 will not be viewed favorably. In response to France's letter, the venue for the meeting on June 19 was changed to the OECD rather than the U.S. embassy.

Japan's position is divided between its ministry (MITI) and its ECA. The latter appears to be very proactive, but has told us that the GOJ could only agree to a G-8 Experts Group if at least one other G-7 member supported it. They did not respond to our proposal of meeting on June 9, but they did react to the June 19 proposal. They made it clear that while they agreed to meet on June 19, they thought that a full day meeting restricted to discussing the U.S. proposal was too formal. They, too, were concerned about creating a parallel forum to the OECD.

Italy will hide behind, or fall behind, the other Europeans as the latter's positions change, but they'll rarely lead on this issue. However, they were the first to accept our proposed meeting date for the Experts Group.

<u>History of the Issue.</u> Congress mandated Ex-Im Bank to evaluate the environmental impact of the projects it considers in 1992. In 1995, the Bank instituted formal environmental guidelines (modeled on those of the IFC) which allow it to deny support for a project on environmental grounds if the problems cannot be mitigated. No other ECA has such guidelines. Thus, for both environmental and competitive reasons, the U.S. has encouraged other OECD countries to have their ECAs adopt a similar environmental approach. However, we have learned that without strong and continued political pressure, ECAs will not begin any serious work on guidelines.

The Denver Summit began G7/8 discussion of this issue, resulting in "Governments should...take environmental factors into account when providing financing support..." The Birmingham Summit only "encourages further work" on the Denver language in the face of stiff ECA resistance to such work (inserting non-financial criteria into the export credit decision-making process). Just prior to Cologne, OECD Ministers urged that ECAs work on "strengthening common approaches" toward the environment. And later in Cologne, G-8 Heads mandated that ECAs "work...toward common environmental guidelines in the OECD...by the 2001 G-8 Summit." This mandate was intended to prevent the race to the environmental bottom by creating a way to limit ECA ability to use lax environmental requirements as a means of attracting business. In addition, this mandate ensures that the activities of our ECAs don't conflict with our broader sustainable development agenda (in which we pressed the IFIs to adopt environmental guidelines).

Unfortunately, G7 ECAs do not agree on the meaning of "common environmental guidelines." Most interpret "guidelines" as defining a process, or procedures, to deal with environmental issues that arise in the review of individual ECA projects. This is a convenient interpretation intending to mask the true intent – to maintain the flexibility to support the "dirty" projects. However, in accepting "guidelines," our G7 partners ***clearly*** understood that they were committing to substantially more than what OECD Ministers had agreed to -- a top-down approach. We interpreted "guidelines" to mean ex ante standards. Either way, what Heads agreed to has yet to be accurately conveyed to the ECA level.

In our view, guidelines are multilateral ex ante qualitative and quantitative limits and procedures that allow an ECA to determine whether a particular project presents adverse environmental impacts, and how (or whether) the impact can be adequately mitigated. The U.S. favors using internationally recognized environmental guidelines, such as those of the IFC, which could then be adapted to ECA business.

ECAs are attempting to preserve independent decision-making by supporting unilateral actions (i.e., unspecified *internal* review procedures) rather than be bound by transparent, multilateral OECD-governed actions. Their goal is to finance exports while deflecting criticism rather than actively and collectively measure and mitigate environmental impact. Moreover, most ECAs will not even agree to have their internal procedures draw on elements of internationally recognized guidelines as a basis for their environmental review.

The fact that two different mandates currently govern the G7 and non-G7 members of the Export Credit Group (ECG; the OECD forum in which this work is being carried out) will continue to stymie progress. And since the ECG has no formal obligation to implement the G-8 mandate, the OECD Ministerial mandate is what dominates the 28-member ECG. There has been considerable interagency discussion on the merits of trying to strengthen last year's OECD Ministerial mandate to coincide with the G-8 mandate of developing guidelines. It was agreed that the risk of failure is too great, and failing could harm subsequent efforts to implement the G-8 mandate as well as to seek OECD-wide acceptance later. Therefore, we will not introduce OECD Ministerial Communique language pressing for guidelines, but we *have* offered language that emphasizes the importance of the OECD mandate. If others introduce Ministerial Communique language that presses for guidelines, as we hear Canada may do, we will not oppose it. It is conceivable that a failed attempt to strengthen the OECD mandate would make the need for a G-8 Experts Group harder to deny.

Faced with G-7 ECA disagreement on the fundamental definition of guidelines and our inability to further the G-8 mandate in the ECG, a group of senior interagency officials led by CEQ decided that the U.S. should propose the formation of a G-8 Experts Group tasked with defining, developing and perhaps even implementing "guidelines"outside of the OECD. This is intended to be a parallel, but G-7 focused, effort rather than a replacement to the OECD work -- a two-pronged approach that maintains work in the OECD. The OECD work will be important in the event that we can secure only one G-8 Experts Group meeting (current state of play), which we expect to be insufficient. Or, in the event that the G-8 Experts Group continues to meet and completes the work that it is tasked with, the OECD work will be important to introduce G-7 agreed guidelines to the non-G-7 ECAs. ECAs will also need to fall back on the OECD for a secretariat function in order to implement guidelines in any practical manner.

Our goal has been to institute this group as soon as possible, but no later than the Summit. Therefore, the proposal was conveyed in letters from Tim Geithner and Al Larson to their G-7/8 deputy/sous sherpa colleagues in early April. A concise, and later a more detailed, G-8 Experts Group discussion paper presenting Ex-Im Bank's quantitative and qualitative guidelines was attached. The concise version was distributed by Larson, Sobel and Geithner at their respective meetings just after the letters were sent out. In Kyoto in May, Tim Geithner got the other G-7 to agree to one meeting of this group before the OECD Ministerial in late June (26-27). They agreed to include Finance Ministries and ECAs, and would consider next steps after the meeting.

Because we wanted the G-8 Experts Group to be viewed entirely in the G-7/8 context, with no OECD connection, we looked for already scheduled G-7/8 meetings to link it to. The June 7-8 FSS meetings in Paris were perfect in that regard because we also wanted active Finance Ministry involvement. We scheduled the meeting for June 9 at the U.S. embassy (FSS meetings were taking place at the Japanese embassy). Canada, France and Germany then balked, professing a travel burden, resisting the creation of a parallel forum to the OECD, and questioning whether G-7 Deputies actually agreed to this. As a result, we accepted Canada's suggestion of June 19 so as to coincide with the June 20-21 OECD Export Credit Group meetings on environment, and France's suggestion that the meeting take place at the OECD (precisely the OECD links we wanted to avoid).

At Treasury concurrence, Larson alerted his Foreign Ministry counterparts of the meeting and encouraged them to participate. However, as mentioned earlier, the UK and Germany have together opted to send only one representative from their government, so our desire to have representation from all of the key ministries has been somewhat dampened.

NGOs. The NGOs have been very active and vocal on this issue. They are disappointed with the slow pace of progress in the OECD and in the past have favored creating a public failure in an attempt to generate a more serious political commitment. They met with D/S Eizenstat and U/S Larson a few months ago to express their displeasure. The NGOs are also dissatisfied with the ECG's unwillingness to formalize their role in its decision-making process. As a result, they have picketed OECD headquarters, authored highly critical op-eds, and written numerous letters to OECD and ECA officials. We have asked them to direct their foreign offices and counterpart organizations to exert pressure on the more intransigent governments to help us in our efforts. While they have done this to some degree, it's not clear that they are doing all that they can. Continued domestic pressure from environmental NGOs is probably as effective, if not more, than anything we can do.

Drafted by: Treasury/Epstein; 6-15-00

(2) A method of enforcing the requirements imposed on facilities under sections 101(a)(15)(H)(i)(c) and 212(m) of the Immigration and Nationality Act (as amended by section ___2) that would be more effective than the process described in section 212(m)(2)(E) of such Act (as so amended).

FRIST AMENDMENT NO. 3323

Mr. GREGG (for Mr. FRIST) proposed an amendment to the bill, S. 2260, supra; as follows:

At the appropriate place in title III, insert the following:

SEC. 3___. SIGNAGE ON HIGHWAYS WITH RESPECT TO THE NATIONAL CEMETERY SYSTEM.

(a) DEFINITIONS.—In this section:

(1) FEDERAL-AID HIGHWAY.—The term "Federal aid highway" has the meaning given that term in section 101 of title 23, United States Code.

(2) NATIONAL CEMETERY SYSTEM.—The term "National Cemetery System" means the National Cemetery System, which is managed by the Secretary of Veterans Affairs.

(3) STATE.—The term "State" has the meaning given that term in section 101 of title 23, United States Code.

(b) FEDERAL-AID HIGHWAYS.—The Secretary of Transportation, acting through the Administrator of the Federal Highway Administration, shall take such action as may be necessary to ensure that, for each cemetery of the National Cemetery System that is located in the proximity of any Federal-aid highway, there is sufficient and appropriate signage along that highway to direct visitors to that cemetery.

(c) STATE HIGHWAYS.—Nothing in subsection (b) is intended to affect the provision of signage by a State along a State highway to direct visitors to a cemetery of the National Cemetery System.

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS ACT, 1999

SHELBY (AND LAUTENBERG) AMENDMENT NO. 3324

Mr. SHELBY (for himself and Mr. LAUTENBERG) proposed an amendment to the bill (S. 2307) making appropriations for the Department of Transportation and related agencies for the fiscal year ending September 30, 1999, and for other purposes; as follows;

On page 19 of the bill in line 3, strike ": *Provided*, That $3,000,000 shall be transferred to the Appalachian Regional Commission".

On page 28 of the bill, line 15, insert the following before the period: "*Provided further*, That of the funds provided under this heading, $5,000,000 shall be made available for grants authorized under title 49 United States Code section 22301".

On page 20 of the bill, in line 17, after the colon, insert: "*Provided further*, That within the $20,000,000 made available for refuge roads in fiscal year 1999 by section 204 of title 23, United States Code, as amended, $700,000 shall be made available to the U.S. Army Corps of Engineers to determine the feasibility of providing reliable access connecting King Cove and Cold Bay, Alaska and $1,500,000 shall be made available for improvements to the Crooked Creek access road in the Charles M. Russell National Wildlife Refuge, Montana:".

On page 28 of the bill, amend the figure in line 5 to read "7,500,000".

On page 44 of the bill, insert at the beginning of line 1 the following: "New York City NY Midtown west ferry terminal".

On page 51 of the bill, insert after line 19 the following: "Whittier, AK intermodal facility and pedestrian overpass".

On pages 86 and 87 of the bill, strike all of section 336 (lines 16–24 and lines 1–10).

On page 88 of the bill, in line 18, after the semicolon insert the following:

(3) in subsection (d), by inserting "(including an exemption under subsection (b)(3)(B)(i) relating to a bumper standard referred to in subsection (b)(1))" after "subsection (b)(3)(B)(i) of this section"; and.

And on page 88 of the bill, in line 19, amend the "(3)" subsection number to read "(4)".

On page 90 of the bill, in line 1, after the semicolon insert the following: "$3,500,000 is provided for the Providence-Boston commuter rail project;".

On page 92 of the bill, after line 25, insert the following:

SEC. 351. Item 1132 in section 1602 of the Transportation Equity Act for the 21st Century (112 Stat. 298), relating to Mississippi, is amended by striking "Pirate Cove" and inserting "Pirates' Cove and 4-lane connector to Mississippi Highway 468".

On page 78 of the bill, strike lines 8–15, and insert the following:

SEC. 322. None of the funds in this or any other Act may be used to compel, direct or require agencies of the Department of Transportation in their own construction contract awards, or recipients of financial assistance for construction projects under this Act, to use a project labor agreement on any project, nor to preclude use of a project labor agreement in such circumstances.

INTERNATIONAL MONETARY FUND APPROPRIATIONS ACT OF 1998

MURKOWSKI AMENDMENT NO. 3325

Mr. MURKOWSKI proposed an amendment to the bill (S. 2334) making appropriations for foreign operations, export financing, and related programs for the fiscal year ending September 30, 1999, and for other purposes; as follows:

SECTION 1. ENVIRONMENTAL POLICY AND PROCEDURES.

(a) IN GENERAL.—Section 11(a) of the Export-Import Bank Act of 1945 (12 U.S.C. 635i–5(a)) is amended—

(1) in paragraph (2), by striking the period and inserting the following: ", except that the Board of Directors may not withhold financing from a project under this subsection if the government of any other G–7 country is providing (or has indicated approval to provide) financing of the project."; and

(2) by adding at the end the following new paragraph:

"(3) G–7.—For purposes of this subsection, the term 'G–7' means the group consisting of France, Germany, Japan, the United Kingdom, the United States, Canada, and Italy, established in September, 1985, to facilitate economic cooperation among the seven major non-Communist economic powers.".

(b) DEVELOPMENT OF CONSISTENT ENVIRONMENTAL POLICY.—

(1) IN GENERAL.—It is the sense of Congress that—

(A) consistent with the objectives of section 2(b)(1)(A) of the Export-Import Bank Act of 1945 (12 U.S.C. 635(b)(1)(A)), the Export-Import Bank should seek to reach an international agreement with the export financing agencies of other G–7 countries regarding environmental policies and procedures for the financing of projects; and

(B) such agreement should be subject to Congressional approval.

(2) G–7.—For purposes of this subsection, the term "G–7" means the group consisting of France, Germany, Japan, the United Kingdom, the United States, Canada, and Italy, established in September, 1985, to facilitate economic cooperation among the seven major non-Communist economic powers.

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS ACT, 1999

MCCONNELL AMENDMENT NO. 3326

Mr. MCCONNELL proposed an amendment to the bill, S. 2307, supra; as follows:

On page 92, after line 25, add the following:

SEC. 3___. JUDICIAL REVIEW OF CONSTITUTIONAL CLAIMS.

(a) EXPEDITED CONSIDERATION.—It shall be the duty of a district court of the United States and the Supreme Court of the United States to advance on the docket and to expedite to the maximum extent practicable the disposition of any claim challenging the constitutionality of section 1101(b) of the Transportation Equity Act for the 21st Century (23 U.S.C. 101 note; 112 Stat. 113), whether on its face or as applied.

(b) APPEAL TO SUPREME COURT.—

(1) IN GENERAL.—Notwithstanding any other provision of law, any order of a district court of the United States disposing of a claim described in subsection (a) shall be reviewable by appeal directly to the Supreme Court of the United States.

(2) DEADLINES FOR APPEAL.—

(A) NOTICE OF APPEAL.—Any appeal under paragraph (1) shall be taken by a notice of appeal filed within 10 calendar days after the date on which the order of the district court is entered.

(B) JURISDICTIONAL STATEMENT.—The jurisdictional statement shall be filed within 30 calendar days after the date on which the order of the district court is entered.

(3) STAYS.—No stay of an order described in paragraph (1) shall be issued by a single Justice of the Supreme Court.

(c) APPLICABILITY.—Subsections (a) and (b) shall apply with respect to any claim filed after June 9, 1998, but before June 10, 1999.

DEWINE (AND OTHERS) AMENDMENT NO. 3327

Mr. DEWINE (for himself, Mr. COVERDELL, Mr. GRAHAM, Mr. BOND, Mr. GRASSLEY, and Mr. FAIRCLOTH) proposed an amendment to the bill, S. 2307, supra; as follows:

Beginning on page 8 of the bill, in line 17 after the colon insert: *Provided further*, That not less than $2,000,000 shall be available to support restoration of enhanced counter-narcotics operations around the island of Hispaniola.

On page 5 of the bill, in line 4, strike "$165,215,000" and insert "$158,468,000".

On page 9 of the bill, in line 2, strike "$388,693,000" and insert "$426,173,000".

On page 9 of the bill, in line 4, strike "$216,473,000" and insert "$234,553,000".

On page 9 of the bill, in line 7, strike "$46,131,000" and insert "$55,181,000".

On page 9 of the bill, in line 9, strike "$35,389,000" and insert "$44,789,000".

On page 77 of the bill, in line 15, strike "$10,500,000" and insert "$17,247,000".

EXPORT-IMPORT BANK OF THE UNITED STATES
811 Vermont Avenue, N.C. Washington, D.C. 20571

OFFICE OF CONGRESSIONAL AND EXTERNAL AFFAIRS
PHONE: 202-565-3230   FAX NO.: 202-565-3236

FAX COVER SHEET

DATE: 7/29/98

PAGES TO FOLLOW: 4

ATTENTION:
Roger Ballentine

FAX NUMBER:
224-0291

MESSAGE:
As discussed

SENDER: Bill Hellert
DIVISION: CONGRESSIONAL AND EXTERNAL AFFAIRS
TELEPHONE NUMBER: 565-3233

If message is not received in full, call Sender :

name. That license belonged to another company, Rolls-Royce P.L.C., an aerospace concern with close ties to BMW and a marked preference for BMW to become the custodian of Britain's most prestigious automotive brand.

"Someone clearly made a big mistake rights to the Rolls-Royce name until the end of 2002. Thereafter, BMW will acquire the rights to produce a new Rolls-Royce and Volkswagen will maintain the right to build Bentleys. "We went for a peaceful solution" rather than a long legal battle, Mr. Piëch said. But he ruefully acern England until the end of 2002. Then, BMW will "take over the distribution of Rolls-Royce cars and will continue the production of the Silver Seraph in cooperation with the plants in Crewe and manufacture additional Rolls-Royce automobiles in a newly built plant in Britain," a BMW

announced today that it would develop its own luxury car, the Maybach, its first such luxury automobile since the 600 Pullmann series was discontinued in 1981. Anyone looking to buy a European luxury car in the next few years will, thus, one way or another, be buying German

Ex-Im Bank Chief, in Asia, Urges Priority on China Lending

By MARK LANDLER

HONG KONG, July 28 — In a sign of the new emphasis the United States is placing on China as an economic engine for Asia, the chairman of the Export-Import Bank says he wants China to become its largest recipient of loans to buy American products and equipment.

The official, James A. Harmon, promised to push for an increase in lending to China, which currently has loans and trade guarantees of $5.5 billion, and is the Ex-Im Bank's second-largest borrower after Mexico.

"China is a phenomenal opportunity for U.S. companies and a great challenge," Mr. Harmon said here on Monday, adding, "It should be our No. 1 market." He was in Hong Kong as part of a 12-day tour of Asia that includes stops in Japan and Thailand. But it was clear that his focus was squarely on China, where he said he hoped to seize upon the momentum established by President Clinton's recent visit. Of the 12 days, he is spending nine in China, with visits to Beijing, Shanghai and the industrial city of Chengdu.

The Ex-Im Bank is an independent United States Government agency that promotes exports by subsidizing loans and providing credit guarantees so that developing countries can purchase American goods. In China this year, the bank will help finance about $1 billion worth of purchases, primarily aircraft and power turbines. Mr. Harmon said he would like to extend loans for the Chinese to buy everything from medical equipment to water-filtration systems.

He predicted that China would be hungry for loans, as it starts a campaign, orchestrated by Prime Minister Zhu Rongji, to spend $750 billion on new roads, bridges, hydroelectric projects and other public works.

Mr. Harmon said he also wanted to redress China's trade imbalance with the United States, which ballooned to $20.4 billion in the first five months of this year, compared with $16.9 billion in the similar period last year. An aide to Mr. Harmon said that during meetings in Beijing, senior Chinese officials acknowledged that the trade gap was a problem and pledged to help close it.

The Ex-Im Bank also wants to mend relations with Beijing, which were strained in 1996 when it refused to subsidize loans to buy equipment for the huge Three Gorges Dam, saying the $25 billion project did not meet its environmental standards.

Mr. Harmon's intense focus on China is in marked contrast to that on Japan, where he spent only a day, despite extensive ties between the Ex-Im Bank and its counterpart in Japan. He said he tried to persuade officials there to consider environmental standards in deciding which countries should get loans.

Economists said the Ex-Im Bank's emphasis on China made sense, given that it is one of the few Asian countries still showing growth. "If you want to save Asia, you'd better save China first," said William H. Overholt, the head of research at BankBoston in Singapore.

Indeed, the situations in other Asian nations worry the bank. It has lent several billion dollars to troubled economies like those of Thailand, South Korea and Indonesia. Given their suffocating debt and economic turbulence, some of them might have trouble paying back their loans on time. A spokesman for the bank acknowledged that it might have to stretch out the repayment period, particularly with Indonesia. But he said no Asian country had yet signaled it would default on an Ex-Im Bank loan, adding, "A rescheduling is not a loss; it is a stretching out of a repayment."

Mr. Harmon, who was a New York investment banker before joining the Ex-Im Bank in 1997, said he believed that Asia would take three to five years to recover from its economic crisis. "A lot of people in Asia haven't lived through bear markets," he said, "so it's harder for people here."

NYT Business Section
7-29-98 D-3

THE MURKOWSKI AMENDMENT AND EX-IM BANK'S ENVIRONMENTAL GUIDELINES

The Environmental Guidelines of the Export-Import Bank were adopted by the Board of Directors in February, 1995. In conformance with the Bank's charter, they do allow Ex-Im's Board to decline financing for a transaction if it does not meet the guidelines. However, the Board can approve financing, even if the transaction does not conform to the guidelines, if the Board decides that overall the transaction is beneficial for the buying country.

In the case of the Three Gorges Dam Project, the Board declined to issue a letter of interest (the initial step in consideration of financing) because it did not have enough information to see whether the guidelines were being met or not. The Bank is still open to receiving further information from the Chinese government on Three Gorges. This has by no means hampered the Bank from doing other business in China. At present, the Bank's exposure there is $ 5.5 billion (second only to Mexico), and has included support for a dam, specifically the Xiaolangdi Hydroelectric Power Project, with a contract price of $58.344 million. In addition, there is another $1.5- $2 billion in business that may come to the Bank in the near future. While the guidelines have hampered only one deal, they have directly led to an additional export of $100 million of environmental upgrades to many projects which were financed by the Bank. Without the guidelines, all future such enhancements would be lost.

The Bank is making progress in international negotiations, to the extent that other countries are starting to acknowledge that the environment is an issue that deserves more attention in export financing. (The New York Times of July 29, 1998, notes that James A. Harmon, President and Chairman of Ex-Im Bank, is pressing the Japanese on this very topic.) This is a new and encouraging development. While, admittedly, there is some distance to go on this issue, the progress that has already been made would be eliminated should the amendment become law.

1) In response to a Congressional mandate in 1994, Ex-Im carefully crafted environmental guidelines to be used to assess the impacts of projects that taxpayers would be supporting through Ex-Im Bank. As a result, the Bank has been able to assist in the design of environmentally friendlier projects. No requests for financing have been turned down, but, in one instance (Three Gorges), the bank requested more information from the Chinese. That information has yet to be received.

2) The Murkowski amendment would decimate Ex-Im Bank's environmental guidelines by subjugating them to the actions of other export credit agencies.

3) When the guidelines first went into effect, a commitment was made to US exporters that Ex-Im would pursue basic guidelines for all OECD countries. Ex-Im Bank has made some real progress in getting other ECA's to take a serious look at the issue of the environment and to understand its importance for developing countries.

4) If Ex-Im Bank's environmental guidelines are eliminated, the Bank would no longer have any credibility in international negotiations, all current progress would be lost, as well as any chance at future progress.

PROPOSED ALTERNATIVE WORDING FOR MURKOWSKI AMENDMENT
(New wording is italicized)

Insert the following in paragraph (1): "*In its deliberations, the Board of Directors shall consider whether* the government of any other G-7 country is providing (or has indicated approval to provide) financing of the project."

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FAX COVER SHEET

DATE: 7/29/98

PAGES TO FOLLOW: ~~[illegible]~~ 1

ATTENTION:
Roger Ballentine

FAX NUMBER:
224-0291

MESSAGE:
As discussed

SENDER: Bill Hellert
DIVISION: CONGRESSIONAL AND EXTERNAL AFFAIRS
TELEPHONE NUMBER: 565-3233

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More

Since its inception in February, 1995, the value of the U.S. contract price of exports increased by up to $100 million as a direct result of Ex-Im Bank environmental guidelines being applied. Some of these upgrades were nominal, involving the export of services and requiring extra studies or small upgrades. Others involved the export of extra equipment. Some examples of equipment exports are the following:

Country	Project	Environmental Upgrade
Panama	Power Plant	Low NOx burners installed
Ecuador	Power Plant	Water injection for NOx control
Ecuador	Power Plant	Water injection for NOx control
Colombia	Power Plant	Low NOx burners installed
Turkmenistan	Power Plant	Water injection for NOx control
Philippines	Power Plant	Waste water treatment improved