MR. DUNCAN: Thank you. It's a pleasure to be here. Excuse my voice. I am still trying to get rid of the Mexico City smog I was in all week last week, and so it's a bit raw.

I'm down at the street level. My company operates at the street level in the export arena as it relates to small business exporters.

I am a small business exporter, and yet I have had the opportunity to participate in a number of programs that give me a big exporter perspective that I think provides me with a little bit of insight in terms of some of the problems that small exporters experience at the -- particularly at the agency level in Washington.

It's interesting that I'll initiate several comments or quotations from large exporters about small exporters that were made about 12 days ago at the Ex-Im Bank annual conference.

Mr. Harmon said, “The challenge is how to involve this large community of small and medium-sized businesses in the global economy.”

Mr. Ronnie Bechtel of Bechtel, the second largest user of Ex-Im Bank programs, said the intent by

Ex-Im Bank must support small and medium enterprises and not institutionalize the process.

Mr. Barton at Caterpillar said, Ex-Im Bank must make policy available to small, medium-size exporters.

Mr. Swift at Foster Wheeler said, Small and medium-sized exporters must be proactive and involved with Ex-Im Bank through improved Internet access.

And to give my colleague on the far left his due, the SBA brochure that is readily handed out to small businesses says it takes money to play the export game. Many small businesses invest the time and resources to develop the export opportunities only to find they can't secure the bank credit.

So I have now led you to the realities of my view of the bank support of small business, particularly small business exporters.

Some of these comments will address the request of the Commission in terms of addressing four or five points.

The first reality is exporting is survival to small and midsize companies. Market access is quicker and impact is greater and will be with the

Internet. And this comment was made five years ago. We see the result of that.

Trends toward foreign buyer privatization and private sector will accelerate. This comment was again made five years ago, and in the Ex-Im Bank annual report, it's reemphasized by Chairman Harmon.

The 1980s Latin American debt crisis is irrelevant. Very little money was lost in trade finance that was supported by the Export-Import Bank. The banks lost money on sovereign loans.

In a study by the Federal Reserve here in Kansas City back in 1995 or '94, it was found that smaller banks owned by multibank holding companies and out-of-state companies tend to lend a smaller share of their funds to small companies in that state. Absolutely.

And it's not only in the Midwest. It's all along the Mexican border, where there is a tremendous amount of cross-border trade taking place.

Banks' continued reliance on exporters' financial strength and weaknesses, irrespective of the transactional strength is paramount. And that is selfdefeating as it relates to small exporters because of the size of their financial strength.

Trade finance intermediary development will accelerate where the intermediary takes some risks.

Nonbank niche companies offering both trade financing and trading with risk assumption will grow. This is embodied in international trade.

The Asian trading companies, Latin American and European trading companies mentality is coming into the U.S. in waves, and it's being pushed very, very hard by the Internet.

Brokers and packagers of financing, export financing, will continue to pollute trade finance growth at the small and mid-size exporter level due to the Internet.

There will be more access. However, there will be more people selling nothing because the banks won't buy or finance the export receivable.

The Export-Import Bank of the United States is the reason I'm in business. It's the reason my business is growing. And it's because of their small business programs.

Budget reductions have severely restrained efforts to service small and mid-size exporter needs.

If you go back probably eight years ago, Ex-Im Bank's employment was somewhere near 800 people. Today it's 420 and in 1950 it was 200.

So budget restrictions and cutbacks and the lack of internal organizational upgrades do nothing but hinder the ability of the small exporter to access these programs.

Outreach programs are doomed unless budgets are significantly increased. And my panel members here endorse that.

The risk sharing at the bank or at the state level is an absolute must. And given the budget pressure, Florida and California do an outstanding job of supporting small exporters in that state. The rest of the states, it's very, very marginal.

So budget pressure is a reality that small businesses incur both at the state and federal level.

Ex-Im Bank is unable to solve all risk problems. That issue comes right back to the commercial banks must participate in the risk.

At this point, I'll give you some background as it relates to the bank/lender users of the Ex-Im Bank programs.

My comments center on the ongoing recognition that, while the export support programs provided by the Ex-Im Bank, SBA, and Department of Commerce have improved significantly, the trade deficit will not be significantly impacted by small to mid-sized exporters until the operating budgets of these agencies are significantly increased to service the small exporter needs.

Those agencies, which provide loan guarantees, commercial and political risk insurance, and pre-export working capital, must dedicate a significant portion of their support directly to small exporters.

Unless Number 1 and 2 occur, the commercial banks will not be viewed by small exporters as a viable source of trade finance capital.

This is very simple to see when one looks at the 1999 fiscal year-end Ex-Im Bank statistics for top bank/lender users of the programs.

Of the top 116 bank and lender users of Ex-Im Bank's programs, the top 31 banks represented 94 percent of the $11.4 billion that those 116 banks accessed, an average transaction size of $24.4 million, considerable larger than normal small exporter transactions.

Chase Bank and Citibank represented 51 percent of the total used by the top 31 banks and 48 percent of the total used by the 116 banks.

After Chase and Citibank are subtracted, the remaining 29 banks of the top 31 represented an average transaction size of 13.3 million. Again, that is not a small exporter transaction.

Of the top 31 banks, 16 are foreign banks who utilized 28 percent of the support given to the top 31 users of the Ex-Im Bank programs, at an average transaction size of 37.5 million.

Without Chase and Citicorp, the 16 foreign banks out of that top 31 represented 56 percent of the total support utilized by the 31 banks.

Only 2 percent of the support provided to the top 31 banks was for pre-export working capital, which means was for small exporters. This program is utilized by small exporters, and only 3.5 percent of the 11.4 billion was provided by -- through the funds in support of Ex-Im Bank to the 116 top banks was provided to small exporters.

Yet, at the same time, Ex-Im Bank approved about 2,200 transactions supporting 16 billion in exports. More than 80 percent were for small businesses.

To deal with the growing reality of cross-border trade e-commerce and the needs of small to mid-sized exporters to compete, continued budget restraints spell doom to the small businessman.

Congress must wake up and recognize that Ex-Im Bank and the other trade capital support agencies need additional budget support to reach their constituencies, the small exporter.

One suggestion would be to dedicate 50 percent of Ex-Im Bank's total support annually to small and mid-sized exporters, 50 percent. In fiscal '99, this would have been $8 billion, versus the $2.1 billion of support given by Ex-Im Bank.

In doing so, and with budget support, I believe a significant shift would occur in the average transaction size by the commercial banks. If so, small exporters could have a growing positive impact on the trade deficit.

In conclusion, trade capital availability will open export opportunities for the small exporter.

Remember, foreign competitors have the advantage of better and more comprehensive market information about U.S. markets than we have about their markets.

I believe e-commerce could hurt small U.S. companies from a trade standpoint, meaning greater access to U.S. markets than U.S. companies have to foreign markets.

We need increased assistance to access the foreign markets, particularly trade capital and payment risk mitigation.

Tighter monetary policies would hurt small business efforts to allocate their limited capital to the export effort because the banks would lend less to the small business domestically, let alone for export needs. Thank you.