



John Engler

President and CEO

May 24, 2006

The Honorable Frank R. Wolf
Chairman
Subcommittee on Science, State, Justice and Commerce and
Related Agencies
H-309 U.S. Capitol Building
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your strong support for U.S. manufacturers and for greater resources in export promotion and enforcement. You are a champion of expanding markets and promoting U.S. products around the world.

As you begin the process of writing the appropriations bill for the Subcommittee on Science, State, Justice, and Commerce and Related Agencies for FY 2007, there are three trade matters of concern to the National Association of Manufacturers (NAM) that I would like to bring to your attention.

1.) OMB Circular A-25 and Fee Offsets - We are seeing a decline in the amount of funds that the Foreign Commercial Service (FCS) has available for export promotion. With our growing trade deficit, the United States should be doing more, not less, to promote U.S. exports. OMB Circular A-25 requires full cost recovery for FCS services, including all overhead costs in the Commerce Department. This would double or triple the fees charged for export promotion services and put them out of the reach of many small companies. When you exempted Commerce from the A-25 requirement for 2006 we thought it was permanent. It was not and, until this can be fixed by the authorizing committee, we hope you will extend the current exemption through 2007.

As part of the A-25 process, OMB wants to cut FCS funding an additional \$12 million on the assumption that this amount will be earned in fees charged for services. This is impossible and will cause serious erosion of export promotion services. We urge you to drop these fee offsets to as close to zero as possible.

2.) MDCP - The Commerce Department's Market Development Cooperator Program (MDCP) provides seed money to U.S. organizations that have significant potential for export growth, if the organization puts in two dollars for every one dollar in MDCP funds. The program has generated \$45 in exports for every MDCP dollar invested.

Manufacturing Makes America Strong

The Honorable Frank R. Wolf
May 24, 2006
Page Two

In the past, the program has been funded at the \$1.5 - \$2 million level. We were alarmed to learn that, since the MDCP is not a Commerce line item, it received no funding in 2006. At the present time, the NAM is working with the Commerce Department to develop an American Trading Center in China for small U.S. companies to sell to China. A lynchpin of this center will be MDCP grants to fund the start-up. Given its importance, I urge you to fund the MDCP at \$3-5 million and earmark the funds.

3.) USTR Funding - Finally, the NAM believes this is the wrong time to cut the budget of the Office of the U.S. Trade Representative (USTR). At a time of ambitious trade negotiations at both the bi-lateral and multilateral levels, we hope that you will restore the \$2 million cut from USTR's budget by OMB.

As a final thought, to make visible how far behind we are in export promotion, it would be very useful for a study of our competitors' export promotion services and funding to be commissioned in order to guide the development and allocation of U.S. resources. We would welcome a mandate to Commerce to do that.

As a strong supporter of U.S. manufacturing, I thank you in advance for the consideration of our recommendations as you begin the appropriations process in the weeks ahead. We stand ready to provide any further information you may require on these programs. Please do not hesitate to contact me if you have any questions or are in need of further information.

Sincerely,



John Engler

JE/pm
cc: Ranking Member Alan Mollohan
Subcommittee Members