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EXPORT-IMPORT BANK OF THE UNITED STATES
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STATEMENT OF
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COMMITTEE ON FINANCIAL SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES**

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Chairman Meeks, Chairman Moore, Ranking Members Miller and Biggert, and Members of the Subcommittees:

Thank you for inviting me to testify before this joint hearing on what the Export-Import Bank of the United States (Ex-Im or the Bank) is doing to create and sustain jobs here in the United States during this very difficult economic period. Since its establishment in 1934, Ex-Im has had but one central objective: to create and sustain American jobs through exports. Ex-Im was founded with this goal during the depths of the Great Depression and has remained true to this mission during the recent economic crisis.

Most importantly, this support of American workers comes at no cost to the taxpayer. Ex-Im is self-sustaining, meaning that it funds its program and administrative budgets from fees paid by buyers and borrowers, not from funds provided by U.S. taxpayers. Since 1992, Ex-Im has returned more than \$4.5 billion to the American taxpayers.

MEETING THE CURRENT FINANCIAL CHALLENGE

To meet the unprecedented challenges facing our economy and our U.S. exporters, the Bank has increased lending under its loan, guarantee and insurance programs. In FY 2009, Ex-Im's financing was more than \$21 billion, a record for the institution and about a fifty percent increase over FY 2008. Of this \$21 billion, \$4.4 billion, or 21%, of such authorizations supported small business. And Ex-Im has already surpassed its total authorizations for FY 2009. In fact, for FY 2010, which closes tomorrow, the Bank's total authorizations are expected to be about \$25 billion, which translates into about 230,000 jobs created or sustained. In this current fiscal year, approximately 85% of the Bank's transactions are with American small businesses, and Ex-Im has helped almost 2,000 small businesses expand their export sales in 2010. Ex-Im anticipates that more than 20% of its total authorizations for FY 2010 supported small business.

While I am pleased to report these results, I personally get much greater satisfaction in looking beyond the dollar signs and percentages to the jobs Ex-Im is supporting. During my first few months on the job, I was fortunate enough to meet Luis Arguello, the founder and owner of Demetech, a Miami small business that exports surgical sutures to more than 80 countries. This year, Demetech sales are up almost 100%, and he attributes about 30% of such increase to the support provided by Ex-Im. More importantly, about 40 of Demetech's 100 employees are working today to fill

orders supported by Ex-Im. My goal as Chairman is to help more companies follow Luis' example.

As the official export credit agency of the United States, Ex-Im plays a critical role in President Obama's National Export Initiative that seeks to double exports to \$3.14 trillion by 2015. Working with Congress and other executive agencies, Ex-Im Bank is helping to lead this effort. Exports of U.S. goods and services increased 17.9 percent during the first seven months of FY 2010, according to data released by the Bureau of Economic Analysis of the U.S. Commerce Department. The United States remains on track to meet President Obama's goal of doubling exports and supporting millions of American jobs over the next five years.

Throughout the economic crisis, Ex-Im has played the crucial role that the American people expect. By expanding its programs and increasing its marketing efforts, the Bank is able to assist more U.S. exporters facing the challenges of this current global environment as well as reach more potential U.S. small business exporters. For instance, in reviewing long-term trends for Ex-Im financing, it becomes apparent that such financings often are counter-cyclical -- when commercial financing contracts, the Bank's authorizations expand. The Bank's authorizations are up about 50% across the board, and Ex-Im has seen its direct lending go from an average of about \$100 million annually from prior to the crisis to approximately \$4.4 billion this year.

NATIONAL EXPORT INITIATIVE

To achieve President Obama's goal of doubling exports, Ex-Im needs to do more than just respond when credit markets constrict. As many Members of this Committee already know, 95% of the world's consumers live outside of America's borders. By tapping into these growing markets, exporters will create higher-paying sustainable U.S. jobs, as Americans working for a firm that exports generally earn more than 15% more than similar workers at firms that do not export.

Ex-Im financing is often the crucial factor to allow American companies to step into the export arena. As outlined in the recent Report to the President on the National Export Initiative: The Export Promotion Cabinet's Plan for Doubling U.S. Exports in Five Years, Ex-Im, along with the U.S. Department of Agriculture and the Small Business Administration, plan to implement the following six steps to satisfy the expected increased demand for export credit assistance.

First, Ex-Im plans new products and an expansion of its existing credit platforms. Two weeks ago, Ex-Im launched a new supply-chain finance guarantee program through which suppliers of components used in products destined for export can sell their accounts receivable. This program will inject liquidity into the marketplace and supply "hidden exporters" with ready access to capital to ramp up production so that American small businesses are able to tap into the rich export market. Additionally, Ex-Im Bank

will soon launch a reinsurance program to help U.S. exporters obtain credit insurance in a market that has curtailed capacity, enabling these companies to manage commercial and political risk in developing markets often shunned by commercial insurers.

Second, this past May, Ex-Im expanded access for small business users of Ex-Im Bank's short-term insurance and working capital guarantee programs. Among other effects, this change expanded the scope of eligibility of the exported items to include all U.S. value added and allowed Ex-Im support of both direct and indirect costs. Luis Arguello of Demetech explains this change as well as anyone. He told me "a component, be it a screw, bolt or a piece of fabric, often represents a small portion of the inputs in selling a product overseas. Demetech's costs in producing a product for export includes more than just a piece of sterile thread, it includes quality control, design, labeling, book-keeping and related support. All of those associated costs mean jobs for Miami-area workers."

Third, while Ex-Im Bank is open for business in approximately 175 countries (the latest being its July opening in Iraq for short and medium-term transactions), Ex-Im Bank has decided to focus its limited outreach resources on nine countries with some of the highest potential for infrastructure growth. Over the next five years, Mexico, Brazil, Colombia, Turkey, India, Indonesia, Vietnam, Nigeria, and South Africa are expected to spend more than \$3 trillion on infrastructure improvements. The infrastructure needs of these growing economies, ranging from medical to transportation to energy, align with the technological and productive capacities of the United States. As always, Ex-Im will

continue to provide financing all over the globe, but these nine nations offer a special opportunity for American firms and Ex-Im.

Fourth, quite frankly, Ex-Im Bank is doing a better job of letting American business know about the availability of export financing assistance, especially small and medium-sized companies. Jointly with the Department of Commerce, and Small Business Administration, Ex-Im has led sixteen “Exports Live” seminars, which have been attended by about 3500 people, designed to provide small businesses with the tools they need to begin exporting. Most recently, I traveled to Richmond with Commerce Secretary Gary Locke for an export symposium hosted by Senator Mark Warner, and I would like to offer to come to each of your districts in the near future to discuss the role Ex-Im can play in increasing exports from your state or district.

Fifth, given its limited size, Ex-Im is expanding the number and scope of public-private partnerships. As the main conduit for government export credit, Ex-Im has a staff of fewer than 400. On the other hand, there are an estimated 289,000 exporters in the United States, 97% of which are small and medium-sized enterprises. Therefore, Ex-Im is seeking to leverage new and existing relationships with financial intermediaries, city-state economic development agencies and other entities to increase its outreach and build its presence outside of Washington, DC. Along with SBA, Ex-Im Bank is looking for lenders to participate in our guarantee programs by originating and, in some cases, underwriting transactions. Personally, I have met with lenders in cities from Billings to Boston to enlist their support and listen to their concerns on how Ex-Im can do a better

job of servicing U.S. exporters. Our City/State Marketing program is an excellent example of coordination between the federal and local level in support of the National Export Initiative. The Bank currently has 61 City/State partners and is continuing to work to increase the number of partnerships.

Sixth, Ex-Im will move at the speed of business. No where is this as critical as when dealing with the Bank's small business clients, who may be coming to Ex-Im for the first time. Ex-Im, therefore, is working to streamline the application and review process particularly for those products used by small business, and senior management and I meet every Monday morning at 10:00 to monitor progress. To expedite the transactional turn-around, the Bank is looking to reduce impediments to expanded business with existing banks, brokers and partners through simplification of conditions, faster processing, automated underwriting, and systemized follow-up.

EX-IM INITIATIVES

In addition to the Bank's efforts for small business, there are three other priorities I have for the Bank. First, Ex-Im is expanding its promotion of environmental exports. Second, the Bank is paying special attention to assisting exporters of services. Third, Ex-Im is helping more U.S. companies access the growing economies of Sub-Saharan Africa.

Promoting renewable energy and other green exports is a high priority of the Bank. During the last five years, Ex-Im's support of environmentally-beneficial exports has increased dramatically from \$2.64 million in FY 2007 to an estimated \$330 million for FY 2010. Current estimates indicate that the total value of renewable energy exports from the United States is approximately \$2 billion annually (excluding hydroelectric and geothermal power). Ex-Im Bank remains committed to supporting more of these sales and is working to grow its support for renewable energy transactions in FY 2011.

In 2008, Ex-Im created the Office of Renewable Energy and Environmental Exports and doubled the staff of such office in FY 2010. This past April, on Earth Day, Ex-Im announced its new "Solar Express" product that will provide streamlined financing for U.S. exports to small solar-energy projects that could be approved in as few as 60 days. Export sales using Solar Express will enable the Bank to consider project financing for small solar-power producers seeking loans of \$3 million to \$10 million.

Ex-Im also is a major driver of the growth in U.S. wind energy exports. According to the U.S. Department of Commerce the United States exported a total of \$318.7 million of wind energy equipment in FY 2009. In FY 2010, Ex-Im Bank authorized \$220.6 million in financing for the export of U.S. made wind turbines and related equipment. Ex-Im Bank financed large wind turbine exporters Clipper Windpower and Gamesa, as well as small wind turbine makers Southwest Windpower and Bergey Windpower.

While Ex-Im understands and appreciates the legislative goal that 10% of its authorizations should support environmentally-beneficial exports, this may be a challenging target to achieve. Given that Ex-Im's expected FY 2010 authorizations of about \$25 billion and that the total value of renewable energy exports from the United States is about \$2 billion, Ex-Im could support virtually all renewable exports and still not reach the 10% goal. That said, the Bank remains committed to expanding its support of environmental exports environmental exports, and you have my personal commitment that this will remain a priority of the Bank.

Ex-Im was the first, and thus far only, ECA to institute a carbon policy. One notable example of how this policy is working to benefit the environment and U.S. exporters is the Sasan power project. The Bank's Board of Directors originally voted to decline support for the sale of drag-lines and other mining equipment for the construction and operation of a coal-fired power plant located in northeast India to be operated by Reliance Power Ltd. due to environmental concerns. However, after the Board's initial decision, Reliance executed a Memorandum of Understanding agreeing to supply 250 MW of renewable energy sourced from the United States and agreed to operate the plant so its carbon intensity not exceed 850 grams CO₂/kWh. This is the first time a financing has been made conditional on carbon emissions performance.

A second coal-fired power project to be developed by South Africa's government-owned power utility Eskom will be subjected to the enhanced environmental due diligence called for by Ex-Im's carbon policy in the coming months.

Ex-Im is the leader among both OECD and non-OECD countries on climate-change issues, and is the only ECA that regularly reports the carbon emissions of projects it supports. Ex-Im's new carbon policy resulted in significant changes in the Indian project. Balancing the interests of some U.S. exporters with Ex-Im's environmental obligations remains a challenge, but Ex-Im Bank is committed to being a leader in the ECA community on this issue, and the Bank is advocating that other ECAs adopt similar policies to reduce greenhouse gases. In this way, Ex-Im can help maintain a level playing field for U.S. exporters and their workers.

I also am working to increase the Bank's efforts to the service sector. Ex-Im Bank supports the export of services as well as capital goods, which is a point I often highlight at our Export Live events. For FY's 2007 through 2009, Ex-Im support for services increased steadily - \$1.875 billion in FY 2007, \$2.213 billion in FY 2008, and \$3.791 billion in FY 2009. This total of \$7.879 billion comprised about 16.4% of Ex-Im's total financing of \$48 billion for that period. There is room for improvement, and this amount should continue to increase, such as legal and banking services, which comprise only 2.3% of the Bank's financings for services. Services account for a trade surplus and a real competitive advantage for U.S. companies.

Finally, Ex-Im is helping more U.S. companies take advantage of emerging opportunities in Sub-Saharan Africa. Congress has directed the Bank to increase financing of U.S. exports to Sub-Saharan Africa (SSA) in a manner consistent with the

Bank's requirement of reasonable assurance of repayment. To this end, Ex-Im has an SSA Advisory Committee that provides insights and advice on the region to assist the Bank in fulfilling its mandate and has created a dedicated Africa business-development group. In addition, the Bank created a \$100 million Short-Term Africa Initiative, which makes insurance available for exports to 20 SSA countries that would otherwise not be eligible for Ex-Im support and two bank facilities, one in Nigeria and the other in Angola, help open markets in such countries. As a result of our outreach and credit policy, the Bank has supported over \$5 billion in transactions to SSA since 1999. Last year alone, the Bank authorized over \$400 million in exports to SSA countries. While Ex-Im's books have not closed for FY 2010, the Bank expects to double this number to over \$800 million this year. In terms of U.S. exports, Nigeria and South Africa are the two largest markets in SSA for U.S. exports. As previously mentioned, the Bank has designated these two countries as part of our strategic initiative, and I expect to visit them in November.

BUDGET REQUEST

To reach President Obama's ambitious goals for jobs and exports, Ex-Im needs Congress to appropriate the full amount of the President's request for the Bank's FY 2011 administrative budget. And as I said previously, Ex-Im Bank is self-financing, so this increase comes at no cost to U.S. taxpayers.

We are all aware that full recovery from the recession will not take place until the employment figures improve, and one of the best ways to do this is to assist small

businesses. The request of \$105.6 million includes a request for \$13.5 million fund to expand small business outreach, new regional offices, and increased staff to improve the turn-around time on small business applications.

Congress has instructed the Bank that at least 20% of its authorizations should directly benefit U.S. small businesses, and Ex-Im expects to be at or exceed this level in FY 2010. Like you, I consider this goal to be a floor, not a ceiling. The Bank's small business authorizations are increasing, but not as fast as its financing for larger transactions.

SPECIAL CHALLENGE

Notwithstanding the phenomenal performance of the Bank over the last two years and in addition to its resource constraints, Ex-Im faces the growing challenge of meeting the competition of countries who are not members of the OECD and, therefore, do not have to abide by the Arrangement. China is the country most often cited. The Chinese are making inroads in markets all over the world, with special attention to Africa, Asia and Latin America. China raises challenges both through the use of more generous export credits terms and trade-distorting tied aid.

I wish I could tell you that I have the answer to this problem, but the fact is, while Ex-Im can match Chinese export credits that are better than allowed under the OECD rules, Ex-Im does not have the resources to match the trade-distorting concessional

financing offered by the Chinese in many markets. When it was first established, the tied aid “war-chest” (as it was known) was created to induce foreign governments to negotiate a set of rules to discipline trade-related aid and channel aid resources away from commercial projects in rich countries. As the OECD tied aid rules have now been in place for almost two decades, aid policies have evolved and the list of donor countries has grown tremendously – to include many non-OECD countries, most notably, China - that choose to apply substantial budgetary resources to tied aid. While the Chinese development aid, like development aid from any country, is welcome, tied aid use for commercially viable projects is trade distorting. Against this backdrop, the funds that Ex-Im Bank has available for tied aid “matching” at present are limited, an amount hovering around \$170 million, considering the competitive landscape. Nevertheless, Ex-Im Bank will continue to seek opportunities to employ these funds, in coordination with Treasury, to level the playing field for U.S. exporters competing with trade distorting foreign tied aid offers from other countries. Additionally, Ex-Im Bank remains committed to working with our OECD partners to encourage non-member ECAs to play by the same rules. That said, the opacity and capacity of non-member ECAs remains a challenge for Ex-Im Bank and U.S. exporters, especially in Sub-Saharan Africa.

As mentioned earlier, Ex-Im has identified nine target markets, and I have travelled to seven of them and will be heading to Nigeria and South Africa later this year. Leaders in all these countries say the same thing: They want to buy U.S. goods not because they are cheap, but because our innovation, quality and service after sale are

unmatched by our global competitors. U.S. exporters deliver long-term value, and Ex-Im Bank is committed to helping their efforts.

I want to close by assuring you that we at Ex-Im Bank are determined to do our part in helping to grow employment here in the United States. This is our mission and we are going to work tirelessly to fulfill it. I am always open to your suggestions and want to hear from you and, as I said earlier, hold programs around the country to inform your constituents of the resources Ex-Im is able to provide to them.

Thank you for this opportunity to testify. I will be happy to answer your questions.