Opening Statement
The Honorable Doug Bereuter
Chairman
Subcommittee on International Monetary Policy and Trade
Export-Import Bank Reauthorization
May 2, 2001

The Subcommittee on International Monetary Policy and Trade meets today in open session to receive testimony on the reauthorization of the Export-Import Bank (Ex-Im Bank). The Ex-Im Bank was last reauthorized in 1997 for a four-year term that expires on September 30, 2001. As the Subcommittee with jurisdiction over the Ex-Im Bank, this hearing is the first step in this important reauthorization process. At this first hearing, three representatives of the Export-Import Bank will testify. Moreover, on May 8, representatives of the private sector will testify regarding the Ex-Im Bank.

The Ex-Im Bank is an independent U.S. government agency. It provides guarantees to loans to buyers of U.S. products, loans to buyers of U.S. exports, and insurance products which greatly benefit small business sales. To illustrate the importance of the Export-Import Bank, in FY2000, the Ex-Im Bank invested over $15 billion in exports through its loans, guarantees, and insurance. For example, the Ex-Im Bank finances exports such as civilian aircraft, electronics, engineering services, vehicles, agricultural products, etc. The Ex-Im Bank is intended to be only the "lender of last resort" and to not compete with private lenders.

Before introducing our outstanding panel, I am going to briefly discuss four items which I believe are very important to this hearing. These issues are as follows:

1. The activities of the Export-Import Bank in small business;
2. The activities of the Export-Import Bank in Africa;
3. The proposal by the Administration to cut the Export-Import Bank; and
4. The export subsidies offered through foreign government financing programs.

First, with respect to small businesses, the 1997 authorization law mandated that the Export-Import Bank undertake efforts to enhance the Ex-Im Bank's programs to small and rural companies which have not previously participated in the Ex-Im Bank's programs. As a Member of Congress from a state with hundreds of small and rural businesses, I am interested in what efforts the Export-Import Bank has taken to address this mandate.

Federal law requires the Export-Import Bank to have at least 10% of its investment in small businesses. For FY2000, the Export-Import Bank invested approximately 18% of its lending activities to small businesses. In fact, in FY2000, the Ex-Im Bank invested 86% of its total number of bank transactions in small business. In addition to this data, I am interested in any quantifiable data that the Ex-Im Bank can provide on the number of small business suppliers who work with corporations who use either the loan, guarantee or insurance products offered by the Export-Import Bank. I am aware that private industry has recently conducted such a study.

Second, in regard to investment in Africa, the 1997 authorization bill required the expansion of the Export-Import Bank's financial commitments in Sub-Saharan Africa. This 1997 authorization language established an Advisory Committee to make recommendations to the Board of Directors on how the Export-Import Bank can facilitate greater support for trade with Africa. As a response to this mandate, the Ex-Im Bank created an internal Africa Task Force to coordinate its activities in Africa.

Since this 1997 mandate, the Export-Import Bank support for exports in Sub-Saharan Africa has increased dramatically. In 1998, the Ex-Im Bank invested $56 million of exports to Sub-Saharan Africa. In 1999, this amount increased to $589 million and in 2000, this total reached $914 million. In particular, I am interested in seeing how the Ex-Im Bank can continue to increase its investment in Africa.

Third, any hearing on the Export-Import Bank this year must consider the fact that the Administration has proposed a 25% reduction in the Ex-Im Bank funding for FY2002. It is important to note that the Ex-Im Bank's budget includes the following two components: program budget and the administrative budget. The program budget includes the costs of the loan, guarantee, and insurance programs. The administrative budget is the cost of implementing the Ex-Im Bank programs.

For FY2001, the Ex-Im Bank received an appropriation of $863 million for the program budget and $62 million for the administrative budget. For FY2002, the Administration is proposing a 25% appropriation cut to the program budget which would equal $633 million. With respect to the administrative budget, the Administration is proposing a $3 million increase to a total of $65 million. I have been told by both the Ex-Im Bank and by private industry that more administrative funding is needed for technology and computer upgrades.

I am interested in knowing what is the Administrative's rationale for the 25% cut to the program budget. Furthermore, I would like the Ex-Im Bank to explain what effect this type of cut would have on their loans, guarantees and insurance products. In addition, I am interested in any recalculation of international risk associated with the investment portfolio of the Export-Import Bank and its effect on the appropriation for the Ex-Im Bank.

I do have significant concerns about the Administration's proposed cut to the Export-Import Bank. I look forward to the testimony today to explain the effect that these proposed cuts could have on the activities of the Ex-Im Bank.

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Lastly, I would also like to emphasize the subsidies offered by foreign government export financing agencies. Examples of these export subsidies include, among others, market windows and untied aid. First, market windows are official institutions that conduct themselves as both a government lender and a private bank. Canada and Germany both have these market windows which have advantages over both private banks and government export financing agencies. Second, untied aid, which is utilized in particular by Japan, is bilateral aid given to a developing country with no persay requirement that the recipient country buy goods from the donor country. However, in actuality, the recipient country does indeed buy the products from the donor country.

Unfortunately, untied aid is not covered by the Organization for Economic Cooperation and Development (OECD) Arrangement, of which the U.S. is a member. The OECD Arrangement conducts negotiations and reaches agreements between countries to reduce government export financing programs. The OECD Arrangement commits member countries to decrease certain types of export subsidy. For example, the OECD Arrangement covers tied aid. Tied aid is a direct export credit where the recipient country is required to buy products from the donor country.

Unfortunately, despite the efforts of the OECD, all 30 members of the OECD still have an export financing agency similar to the U.S. Ex-Im Bank. In fact, according to the most comprehensive data available for 1998, the following countries had higher government export credit subsidies than the U.S.: Japan, France, Korea, Canada, Germany, and the Netherlands. I am interested in any more recent data that the Export-Import Bank can provide on this subject.

To assist the Subcommittee in examining these reauthorization issues, I am pleased that we have the opportunity to hear from our experienced panel of witnesses from the Export-Import Bank. The new Chairman of the Export-Import Bank has been nominated (Mr. John Robson), but due to the backlog of Executive Branch nominees, it may be some time before he is confirmed. As a result of the September 30th reauthorization statutory deadline, the Subcommittee is moving forward with testimony from this experienced Export-Import Bank panel.

We will receive testimony from Mr. James Hess, the Chief Financial Officer of the Bank. Mr. Hess has been with Export-Import Bank since 1966. He has been the Chief Financial Officer since 1992. Mr. Hess comes highly recommended as a person with great institutional knowledge of the Export-Import Bank.

Next, Mr. William W. Redway, the Export-Import Group Vice President of Small and New Business will testify.
Mr. Redway, a graduate of the University of Pennsylvania, is in charge of small business group outreach efforts. Prior to his current position, Mr. Redway had been Vice-President of the Bank's Insurance Division and he also served as the New York Regional Manager of the Export-Import Bank.

Subsequently, Mr. Bert C. Ubamadu (A-bomb–a-du) of the Office of General Counsel will also testify. He is an attorney with the Bank where he works on project, structured, and trade finance transactions throughout Africa. He is a member of the Bank's Africa Task Force, which is an intragency group that coordinates and facilitates the Bank's Africa initiative. Prior to his current position, he worked for Marriott International where he served as their representative to the Corporate Council on Africa.

In addition to the testimony provided by these three gentleman, three other individuals from the Export-Import Bank will be available to answer questions. They are as follows: Ms. Elaine Stangland, Deputy General Counsel; Mr. Jeffrey Miller, Group Vice President for Structured and Trade Finance; and Mr. James Cruse, Group Manager - Policy. Mr. Cruse, who was born in Lincoln, Nebraska, located in Nebraska's 1^{st} Congressional District which I represent, is involved with OECD negotiations.

We welcome the distinguished panel to our hearing. And, without objection, your written statements will be included in their entirety in the Record. Thank you.