

Export-Import Bank Of The United States

Advisory Committee

Meeting

Wednesday, December 2, 2020

The Advisory Committee convened via webinar at 2:00 p.m. EST, Stevan Pearce, Chairman, presiding.

Board Members:

Kimberly A. Reed, Chairman
Spencer Bachus, III, Member
Judith Delzoppo Pryor, Member

Advisory Committee Members:

Stevan Pearce, Chairman
Maria Cino
Bill Cummins
Paula Dobriansky
Rodney Ferguson
Lawrence Goodman
Owen Herrnsstadt
Bill Huntington
Sean McGarvey
Scott Palmer
Rich Powell
T.J. Raguso
Alex Sanchez
Venkee Sharma
Chris Smith
Linda Upmeyer
Joanne Young

Staff Present:

Jim Cruse, SVP, Policy Analysis &
International
Relations
Luke Lindberg, SVP, External Engagement
Stephen M. Renna, Chief Banking Officer
David Slade, SVP and General Counsel
David Trulio, Counselor to the Chairman &
SVP
For the Program on China and
Transformational Exports
Brittany Walker, Deputy to the Senior Vice
President of External Engagement

Also Present:

C. Derek Campbell, CEO, Energy and Natural
Resource Security, Inc.; Executive

Chairman, AlphaSierra Advisory Group;
Member, Chairman's Council on China
Competition

Elaine Dezenski, Founder and Managing
Partner,

LumiRisk, LLC; Member, Chairman's Council
on China Competition

Contents

Welcome & Remarks	5
The Honorable Stevan Pearce, Chairman, EXIM Advisory Committee	5
Kimberly Reed, President & Chairman, EXIM.	8
Foreign Export Credit Agencies' Content Policies & Global Competition, Jim Cruse, SVP for Policy Analysis & International Relations	11
EXIM Content Policy	15
Stephen Renna, Chief Banking Officer EXIM	15
David Trulio, Counselor to Chairman & SVP for Program on China & Transform. Exports, EXIM	15
EXIM Advisory Committee Subcommittee On Strategic Competition with People's Republic Of China (Chairman's Council on China Competition Update)	22
Ambassador Paula Dobriansky, Chair, Chairman's Council on China Competition...	22
C. Derek Campbell, CEO, Energy and National Resource Security, Inc.; Member, Chairman's Council on China Competition	24
Elaine Dezenski, Founder & Managing Partner, LumiRisk, LLC; Member, Chairman's Council on China Competition	26
Advisory Committee Discussions	27
Closing Remarks	71

Proceedings

(2:06 p.m.)

Welcome & Remarks

The Honorable Stevan Pearce, Chairman, EXIM
Advisory Committee

AC Chair Pearce: Welcome, everyone. Thank you for tuning in to this meeting of the Advisory Committee of the EXIM Board. I think when Congress put into motion this Advisory Committee, they may not have had maybe the full understanding of the value that this group brings. Markets can be disrupted if the full Board begins to have discussions that are significant if they are looking at big changes.

So the Advisory Committee really has the potential to weigh in on discussions that can be difficult but also probably very necessary, and that's the sort of discussion we're going to have today.

When the Congress established the EXIM and established the content policy, they put it at 85 percent. That may have made sense back then, we don't have a real ability to go back and look at all the world factors, but since that point, the world has changed dramatically. It is more interconnected. The supply chains are more involved.

There are fewer, maybe companies, or even countries that are able to provide every single piece of a supply chain of most complex products. And our content policy as the EXIM Board conducts its interviews, as it conducts its questionnaires from people who are trying to export products and create jobs for Americans, they continue to run into the fact that the content policy is the most limiting thing that we have.

For instance, there are competing nations that are friendly competing nations. Germany has a content policy of 51 percent compared to our 85 percent. China is even lower than that. If you want to go all

the way, Canada has actually zero content policy, and so here we are with 85 percent, and it makes it very difficult.

One of our members who sent in an email and will be checking in late said I'd rather have 50 percent of more than 85 percent of nothing. And I think that really lays the groundwork for the discussion that we're going to have today simply regarding the content policy.

Now the Congress, in the reauthorization of the EXIM Bank, put into place a requirement to compete more with China. And I will, as we look at the restrictions that we face today, EXIM, and for the U.S. to compete for jobs worldwide, it's absolutely essential that we look at the biggest hindrances, and that would be the content policy. So, again, that's the function for today.

But the Congress also put into place a committee and instructed the Board to really start focusing on China. So Ambassador Paula Dobriansky has really ably chaired that committee. I've been on the two discussions that they've had leading into this one, and I will say that the comments are precise, the recommendations are clear, and we will get into those later in the meeting today.

I need to, before handing this over to Chairman Reed, need to have all of you be sure and mute your microphones so that we don't get the background noise. You can get interference if we've got several microphones working at once.

Also, if members of the public want to make comment, then I'm asking that you go ahead and use the chat boxes, send those comments in, and they will be read into the record at the end of this meeting.

With that, I need to call the roll. I will get the last kind of administrative task done. And so if we call your name, if you would simply respond to that. So, Maria Cino? Maria, we see you but, I think for the

recording -- all right, we've got you.

All right, Bill Cummins?

Member Cino: Sorry. Here you go, I'm here.

AC Chair Pearce: All right. Bill? I see Bill there. And Ambassador Paula Dobriansky?

Ambassador Dobriansky: I'm here. Thank you.

AC Chair Pearce: Okay. Rodney Ferguson?

Member Ferguson: I'm here. Thank you.

AC Chair Pearce: All right. Lawrence Goodman? I see Lawrence on the --

Member Goodman: I'm present, Steve. Do you hear me now?

AC Chair Pearce: Yes. We hear you now. Thank you.

Member Goodman: Lovely.

AC Chair Pearce: Owen Herrnstadt?

Member Herrnstadt: Yes. I'm here, Mr. Chair. Hopefully, I'll be able to stay for the entire meeting.

AC Chair Pearce: Thank you. We will get to your comments early then if you have a conflict going. Bill Huntington?

Member Huntington: Good afternoon. I'm here, Chairman.

AC Chair Pearce: Thank you. Sean McGarvey?

Member McGarvey: I'm here, Mr. Chairman.

AC Chair Pearce: Thank you, sir. Scott Palmer advised through email that he would be checking in late. Scott, you don't happen to have come in early?

Rich Powell?

Member Powell: Here, Mr. Chairman.

AC Chair Pearce: Thank you, sir. T.J. Raguso?

Member Raguso: Here.

AC Chair Pearce: All right. Alex Sanchez?

Member Sanchez: Mr. Chairman, I'm here. Thank you.

AC Chair Pearce: Thank you, sir. Venkee Sharma?

Member Sharma: I'm here, Mr. Chairman.

AC Chair Pearce: Thank you, sir. Chris Smith?

Member Smith: I'm here.

AC Chair Pearce: Linda Upmeyer?

Member Upmeyer: I am here.

AC Chair Pearce: All right, Linda, thanks. Joanne Young, I see you checking in here.

Member Young: Yes, I'm here. Thank you.

AC Chair Pearce: All right. Okay. Now it is my extreme pleasure to introduce a friend of mine and the person that I think has made the most dramatic leadership changes in the history of EXIM, Chairman Kimberly Reed. So thank you for being with us today. Okay. We're not hearing you.

Kimberly Reed, President & Chairman, EXIM

Chairman Reed: Thank you so much. It is so nice to see all of you. I hope you can hear me now. And I'm really sad that we can't be here in person, but it's just great to see all of your smiling faces.

And I just left a lunch with Linda Upmeyer, who will be joining by phone. She's on her way to the airport, but she's our great, new addition from Iowa in the world of agriculture and was former Speaker of the House in Iowa. So we just had a very good discussion.

Chairman Pearce, I want to say to you, thank you, sir, for all you're doing for EXIM, for being a champion. For those of you who are new to our Advisory Committee, you may not appreciate that Congressman Pearce was on the Financial Services Committee in the House of Representatives.

And, sir, I don't know how you felt about EXIM back then, but I know now, like me, you understand the role we play in the world that we're in today. And that world has changed so much over the past four to five years.

I want to welcome all of our new advisory members who will be learning about this today, and you heard about it in your first meeting, but I really want to say thank you to Ambassador Paula Dobriansky, who is doing an exceptional job.

Chairman Pearce was so wise to create a Chairman's Council on China Competition because this focus is so important that we really need to have expertise and a focus on that so that you could have a robust and informed discussion today. And Ambassador Dobriansky is doing an excellent job, I'm hearing, with leading those conversations with the subcommittee members.

But just since we last met, I've been very busy working with our great team virtually, 515 of us. I'm in the office today for some meetings, and I'm headed shortly to Bahrain where I'm going to be representing our government at something called the Manama Dialogue and will be furthering messages that come out of your discussions today on China competition and how the United States is prepared now to support great exports around the world.

From there, I'll be headed to Romania where I'll be with Ambassador Adrian Zuckerman and meeting with Romanian government officials. I started those conversations at my beginning here at EXIM, and we signed a \$7 billion MOU with the Romanian government, and we are very focused on renewable

energy at EXIM as well as nuclear energy. So we will be taking a look at a project there that perhaps EXIM can help support and some other key things.

I spoke with the Foreign Minister from Romania last week when I was with National Security Advisor Robert O'Brien. And we all know that economic security is an important part of our nation's national security.

So in Romania, and then I'm headed to Poland, where I will be with Ambassador Georgette Mosbacher and having conversations there. And I can tell you, China competition is happening, and I would assume that China is probably listening to this discussion right now, and so I'm talking about the People's Republic of China and the Chinese Communist Party.

So I just want to wish you all a great meeting. I want to also say I had a great visit with our wonderful Board member's help, Alex Sanchez, down in Florida. Several weeks ago Alex, unfortunately, lost his brother the same time I was there, so had to miss the wonderful event with the Florida Economic Club in the Florida Chamber of Commerce, but we saluted him in his leadership. And we're so glad, Alex, that you have been named to the President's International Trade Commission over at the Commerce Department. So hopefully, you will carry on the messages from today.

But, again, I want to thank everyone. And I welcome you all to come visit us in Washington at any point, you just reach out to me. And your guidance is also going to be important for the Congress because they are looking to you for your views on is EXIM competing, as we look at what's happening around the world, including with 114 other export credit agencies.

So thank you. And, Chairman Pearce, thank you for so much for all you're doing, sir. Thank you.

Mr. Lindberg: Chairman Pearce, you're on mute, my

friend. I cannot hear you.

Ambassador Dobriansky: Chairman Pearce, you're still on mute. We can't hear you.

Mr. Lindberg: Perhaps in a moment we will work at getting it figured out.

AC Chair Pearce: It says that the supervisor had muted me. So, okay, I was clicking on the mic.

Mr. Lindberg: That's fine. You're unmuted now.

AC Chair Pearce: Thank you, Chairman Reed, and good luck on all of your travels. I did omit welcoming Director Pryor to the meeting today, so thank you, Director, for being with us.

I believe that the entire Board of EXIM has really been developed for just this single time, especially considering that we were shut down for those four years. The full-time staff has really come back strong. They are innovative. They're agile. We're taking a look at things that seemed to have fallen apart in the last four years. And so I'm excited about the future.

I want to welcome right now, Jim Cruse. He's the Senior Vice President for Policy Analysis and International Relations. And if you would, make your comments there, Mr. Cruse. Thank you.

Foreign Export Credit Agencies' Content Policies &
Global Competition, Jim Cruse, SVP for Policy
Analysis & International Relations

Mr. Cruse: Thank you, Mr. Chairman, and the rest of the Advisory Committee. Yes, my name is Jim Cruse, head of the Policy Analysis and International Relations. And I would like to discuss just for a few minutes the title here is foreign export credit agencies' content and the extent of global competition.

The issue here today is not a simple matter of looking at a 33-year-old policy of content and how it

applies to the latest addition to our charter. Rather, I think it would be most productive if we look at the situation that we're approaching today as from a start.

This is a new assignment for the Bank. The China policy, in my view and the view of many, is a separate but equal mandate to the Bank, and it deserves to be looked at afresh. In other words, what we're doing today is effectively the first policy review of what will be several on how to address the China mandate.

It is not simply an extension of the standard EXIM Bank situation. This really is a separate policy mandate and needs to be treated as such and approached uniquely.

Now what has happened is that you put this mandate, which is based on sectors if you look at the transformational list that is a list of sectors. And so one of the things that we have had to do is take a look at those sectors, and then we said, how does the U.S. economy match up with these sectors?

And we quickly came to the realization that over the past 30 years since the fall of the Berlin Wall that there has been a massive trend towards what is called globalization. And since 2001, when the Chinese joined the WTO, this trend of globalization has accelerated considerably.

And one of the things that I want to show you, if I am able to put something here on the screen --- I'm asking, I have someone trying to do it. There we go. So if you can see this, this indicates the foreign content policies of the major ECAs over the last 15, 20 years.

And if I had been able to go back inside the Bank and get my hard copies, if I could've drawn a similar diagram for the 1980s, you would've seen almost all the countries to the left of center, closer to where you see United States, Germany, Italy in 2000.

By 2000, you see that it already was center and a lot of them, so the weight was in the center, but there were equal amounts left and right. By 2017, you see that the weight is clearly to the right.

All of this is a reflection of the fact that globalization puts every component, every stage of production up for bid, and every country in the world able to bid on it; therefore, over the 30 years, the amount of domestic content in the ECA coverage has reduced dramatically. And I mean dramatically, to the extent that in some countries they can't even require more than 10 or 20 percent and expect that to be fulfilled.

So that is the major development that we are looking at. And one of the things that we need to evaluate is how does that affect the United States. We know that in other countries, we have examples from Germany where they have shown us internal studies that they have done by looking at their input-output tables and trying to evaluate how much local content, domestic content versus foreign content is in their domestic production. And we find that in most of them it has gone well over 50 percent.

So the next thing we want to look at here, if I can shift to the next slide, is what is the situation in the United States. Here you have, it's a little dated, but we've gone back to 1987, which is the time when we put the current content policy in place, and the data that we had that only goes up to 2016, but you can see that there has been a considerable change in the foreign content in domestic production looking only at manufacturing here.

But the key thing isn't just the average. It is the difference between some sectors. You have some sectors in the teens and some sectors approaching 50 percent. That is critical. As we go forward, one of the things that we have learned from watching the foreigners is that they not only changed the number, they dramatically changed the process so that each case is basically a negotiation.

When they have 20 percent as their minimum number, that's not because they only try for 20 percent. They try for more, case by case, but they not only look at today's exports, they look at the possibilities tomorrow. So they'll go under 20 or under 40 for today's transactions to get more.

They are constantly trying to deal with the fact that they have faced the same diversity that you see here in the United States that not every transaction can be treated the same.

So that in a sense, what we should learn from the foreign competitors is that there is realism to the fact that while globalism may not keep advancing and there may be a way to reduce it; in fact, you see a lot of pressure in that today for a variety of reasons. But the point is that it has fundamentally changed the dynamics of content policies not only in the number that is required but in the flexibility case by case that is exercised.

And so, in effect, what we have today is a mandate to approach a sectoral policy, and the mandate is intended to be done quickly because 2025 is the target date for when the Chinese hope to have a lot of these in place, so we're affected now.

The mandate is to do a lot. They want 20 percent of our exposure, which is \$27 billion, and they want us to do it aggressively, not just to defend ourselves but to go after transactions and try to preempt other people from getting there.

So that is a fundamental change. It requires a new, fresh look at the kind of policies that would be required from additionality and content through the use of tied aid and everything else. Today we are dealing just with content. That's where we are. I hope this has been helpful. Thank you.

AC Chair Pearce: Thank you very much. Next we have Steve Renna. He's the Chief of Banking. He's going to share an overview on EXIM's content policy. So, Steve, welcome.

EXIM Content Policy

Stephen Renna, Chief Banking Officer EXIM

Mr. Renna: Thank you, Mr. Chairman. I think Dave Trulio and I decided to flip the order in which we participate. It will actually be more of a tag-team approach to this, so I'm going to defer to Dave to kick things off and you'll hear from both of us. Thank you.

David Trulio, Counselor to Chairman & SVP for Program on China & Transform. Exports, EXIM

Mr. Trulio: Thank you, Steve. Can everybody hear me okay? Great, great. Well, thank you, Chairman Pearce, Chairman Reed, Director Pryor, distinguished members, and guests of the Advisory Committee. I'm really pleased to be here along with Steve Renna.

My assumption is that the members of the Advisory Committee have the document called Background on EXIM's Content Policy, and I'll assume that you have had at least a chance to briefly skim the document, but I am going to cover some of the ground that's in it. And it's important for us to do that.

I would like to start out with some context and cite the National Security Strategy of the United States of America, which states that China's infrastructure investments and trade strategies reinforced its geopolitical aspirations.

And as that strategy lays out, to maintain our competitive advantage, the United States will prioritize emerging technologies critical to economic growth and security.

So consistent with an additional document that the White House issued in May, the U.S. Strategic Approach to the People's Republic of China, and also consistent with EXIM's reauthorization, EXIM is, in fact, promoting American prosperity by facilitating

U.S. exports.

So it's in that context when EXIM was reauthorized in December of last year that Congress directed the agency to establish the Program on China and Transformational Exports, which I lead, with the purpose of supporting the extension of loans, guarantees, and insurance at rates and on terms and other conditions that are fully competitive with those established by the People's Republic of China.

So as you know, or as many of you know very well, the law charges EXIM with the goal of reserving at least 20 percent of the agency's total financing authority. It's a whopping \$27 billion out of a \$135 billion for support made pursuant to the program.

Now more broadly, consistent with EXIM's overall vision, the vision of the China Program specifically is to keep America strong by empowering U.S. businesses and workers to compete successfully against entities backed by the People's Republic of China.

It's important to note and to underscore that Congress intended the EXIM China Program to do what it called advance the comparative leadership of the United States with respect to China and that the program would support innovation, employment, and technological standards through direct exports in ten crucial areas critical for long-term prosperity and security.

Because not all of you have had the benefit of seeing the enumeration, I'll briefly list the ten. So it's wireless communications, including 5G; artificial intelligence; quantum computing; high-performance computing; semiconductors; biotechnology and biomedical sciences; renewable energy, energy efficiency, and energy storage; water treatment and sanitation; and emerging financial technologies.

I came on board in April and the EXIM team has been diligently engaging with exporters, stakeholders, members of Congress, our

interagency partners in order to develop a program that effectively achieves the mission that Congress laid out.

Now crucially, and to that end, in the spring, we launched the Strengthening American Competitiveness Initiative, which sought to engage stakeholders from those ten transformational technology export areas and to hear what's working, what needs improvement, and what can EXIM do to better support American jobs.

Through the duration of that really important initiative, which lasted from May through July, we directly connected publicly with over 1,100 stakeholders from actual exporters, representatives from industry, the federal interagency community, think tanks, academia, the diplomatic community, and the media.

Crucially, there was no more important takeaway from the discussions than the fact that the players in the transformational export sectors expressed that they had had difficulty using EXIM financing as a result of the agency's high U.S. content policies requirements, which, as Jim Cruse mentioned a moment ago, were developed in the 1980s and developed with what were then the common or traditional export sectors in mind.

The policy itself, if you will indulge me, can be summed up as the current total level of EXIM support for an export, now this applies to medium and long-term transactions, is limited to the lesser of 85 percent of the value of all eligible goods and services in the U.S. export contract, or a hundred percent of the U.S. content in all eligible goods and services in the U.S. export contract.

So, on one hand, we have this bold and needed authority thanks to Congress and President Trump to compete with China. We're directed to do that. And we've been working very closely with exporters and interagency partners to identify and develop potential deals involving competition with Chinese

state-backed entities. And on the other hand, we have this policy from the '80s.

So where are we with this? So let me talk to you a little bit about the deal pipeline that we have and how the mandate and the policy on content are intercepting.

So based on historical experience, and anybody who's done business development and deal development can appreciate, it typically takes months or even years before a potential transaction matures to the point that it's ready for consideration by a decision-making body, in this case, the EXIM Board of Directors.

So to illustrate the point of where we are on that journey, our project pipeline currently contains dozens of opportunities across all kinds of different levels of maturity.

And while I would stress that a great deal of work needs to be done to develop, assess, and complete individual transactions, and some inevitably will not be executed, we estimate that our current pipeline of deals competing with China is worth over a billion dollars.

Now these industries range from telecommunications to water treatment to renewable energy among others and geographically they span Asia, Europe, North America, Latin America and the Caribbean, and South America.

But it's essential to point out that we consistently run into the challenge of our content policy in terms of being able to actually support the exports in those potential deals. We don't not include something as a potential transaction because it doesn't meet the current content policy, but as we look at the individual line items, the ones that are being worked by our underwriting staff, that are being developed, it's not a rosy picture in terms of being able to get these over the finish line.

Now I'll underscore that these are deals where EXIM's additionality principle is in play. We are not displacing private capital, but as we look at these deals, in particular on telecom, including deals that will lead to 5G, we can't support any of those deals right now under our existing content policy.

So simply put, in our current state, we are going to fall short of living up to our legislative mandate to be fully competitive with China.

So on that point, I'm going to pause there. I'm going to invite Steve Renna to add any commentary or further insights, and then we can continue the conversation.

Mr. Renna: Thank you, Dave. I think you summed it up very well, just a couple of quick points I'll mention for the Committee's benefit. And just to clarify why this 85 percent of eligibility of financing applies is that the EXIM Bank requires borrowers to put 15 percent down as equity, just like if you were going to get a mortgage on your home, the mortgage lender would require you to put a certain amount down. That's why if there is 100 percent U.S. export content in an export contract, our financing amount that we can provide, at a maximum, is 85 percent of that export contract value.

Now speaking of export contract value, and to Dave's point and to Jim Cruse's points earlier, how we even got this content policy, the reason why we have a content policy is because back in the late '70s and the early '80s, it was decided by the EXIM Board at that time that U.S. export content would be a proxy for the amount of U.S. jobs that the export supported.

Whether you want to accept that or not, so again, the export contract, for example, could be \$100 in value, but if the export content was only 50 percent of that, the proxy would say that export contract job support was whatever jobs would be supported by an export of financing of 50 percent of that export

contract.

Now that has always struck me as not really good math, and it doesn't really align. So I came from the Commerce Department where I worked with Secretary Ross and ran the Advocacy Center in the Commerce Department. And our role in the Advocacy Center was to provide U.S. government support to companies that were seeking to win foreign government contracts.

So we made U.S. government to foreign governments advocacy on behalf of the U.S. companies encouraging them to fully consider the U.S. company's bid. Now as a threshold for the Advocacy Center to be able to employ the U.S. government's support on behalf of the U.S. export, we required that the export content within the bid for the contract had to be 50 percent or more.

And, Dave, I know you're going to touch on this later, there are principles that we can apply, that we apply at the Advocacy Center if the export content is less still be able to get to the answer of yes, provide evidence.

The reason why I tell you that though is if the Advocacy Center was successful in its support for a U.S. company winning a foreign government contract, and let's say an example where you had a contract that the U.S. company was bidding for \$100, you have it sent to the Advocacy Center, 50 percent of that is U.S. export content. Okay. In that threshold for advocacy, we supported them winning the contract, and they won.

When it came for the Commerce Department to determine what amount of jobs were supported by that contract that the U.S. company won, the Commerce Department looks to the contract value to determine jobs supported, not the U.S. export content.

Content is required to make sure that there's enough of a nexus to the U.S. taxpayer that you can

use U.S. government resources on behalf of the company, but its view of when the contract was won, it looked at the total contract value to determine the amount of U.S. jobs that the contract supported regardless of what the content.

So I just mentioned that because I think that the Board at the time when this content policy was first put in place and set our proxy for jobs as U.S. content, it might've been an easier equation to factor because of probably the higher percentage of U.S. content that were in most exports back in the '70s than there are today.

But that proxy no longer seems to be as relevant. It still, you know, what the policy is but it doesn't seem to be as relevant than more the contract value. Anyway, that was just my point.

Mr. Trulio: But, yes, no, thank you, Steve. And if I could piggyback, I think we're particularly fortunate in that not only are you our Chief Banking Officer, but you used to run the Advocacy Center. And you used to look at companies coming to you with a -- whether -- you know, if they had 50 percent or more U.S. content, they could get advocacy.

But you also had the flexibility under the then in place and currently in place and well-understood approach that the Commerce Department Advocacy Center takes to apply certain factors to have more flexibility to determine that there should be advocacy for a company.

For example, if there's a substantial probability of future exports of U.S. goods or services, for example, if there's a substantial benefit to the U.S. industrial base for there to be advocacy. So those factors and that accompanying flexibility enabled you and your successors and your predecessors to grant advocacy if content in those cases was under 50 percent.

Mr. Renna: Yes, and I would tell you that I have patients that I approved out of support from

technology companies that had less than 50 percent U.S. content in the bid, and they were competing directly against China and the decision had to be made is there enough justification based on the circumstances to grant that, and we did. Because otherwise we would have been ceding the field to China.

Mr. Trulio: I am mindful of the time and always defer to Chairman Pearce, but we are one minute past our allotted time, and I know, Chairman, your intent was to turn it over to Ambassador Dobriansky, but back over to you, sir, Chairman Pearce.

AC Chair Pearce: Thank you, Steve, and Dave both. We appreciate those updates. As we said in the opening, Ambassador Paula Dobriansky is the Chair of the Chairman's Council on China Competition and doing a very able job in that group, and I would invite her to give an update from the meetings that they have held. So, Ambassador.

EXIM Advisory Committee Subcommittee On
Strategic Competition with People's Republic Of
China (Chairman's Council on China Competition
Update)

Ambassador Paula Dobriansky, Chair, Chairman's
Council on China Competition

Ambassador Dobriansky: Okay. Thank you so much, Mr. Chairman. And let me just state upfront, I would like to thank you again first for joining us at the subcommittee and no less for your chairmanship of the Advisory Committee, and also we are very appreciative for Chairman Reed's leadership and initiative. Both of you have been very vigorous on this issue, and it certainly is an important one, and that's front and center for all of us. So thank you for that.

We have met twice, but our last subcommittee

meeting, I think was significant because in it we did put forward a number of recommendations and which we should discuss, but let me give one backdrop. When David Trulio was speaking, he mentioned, and I would like to underscore this, the whole mission and intent here, which is that of the subcommittee and of the Council, that we have a strategic imperative, as he put it, to support U.S. workers and companies as they compete for global projects against China state-backed actors.

I wanted to underscore that because that is the intent, that's the context, that's the backdrop of our deliberations.

We had a very robust discussion in our subcommittee, and I would like to just put forward the four recommendations but also qualify where there was a discussion, that -- and there were a few differences.

So let me start with just putting the four first forward. One is, of course, already as all of you are hearing, EXIM should increase the competitiveness of its content policy to better align with other U.S. agencies, we've heard that, and also foreign export credit agencies.

And here there was a discussion about whether that content, in fact, should be looked at at a minimum of 20 to 30 percent to better level the playing field with our foreign allies and competitors within the OECD such as Japan and the U.K. And I say this, already you've heard from Jim Cruse, and you heard David Trulio, and you also heard Steve Renna put this in context.

Let me add that in this debate and discussion, one as you already flagged, Mr. Chairman, one of our members expressed a reservation about the level -- meaning the 20, 30 percent -- that actually maybe it shouldn't be at that level. It should be 50 percent. And that number not only expressed at the end of the meeting but also wrote in. So I do want to say that, and that's on the table here for discussion.

Let me mention the other three recommendations. EXIM should have flexibility in making a national interest determination similar to the guidelines governing the Advocacy Center at the U.S. Department of Commerce for the background about this issue.

Third, EXIM should have dedicated resources to fund operating costs and financing flexibility to carry out the program's mission, including a yearly evaluation of the competitiveness of the program vis-à-vis China.

And then fourthly, we also felt we should have put forward, EXIM should be part of a holistic, whole-of-government approach to financing transactions in concert with other tools and agencies of U.S. statecraft.

That basically provides the background. I would like to invite two of our subcommittee members, who are also Advisory Committee members, with your permission, Mr. Chairman, if we go right to them. I would like to invite Derek Campbell to say a few words and also Elaine Dezenski, if she would also like to say something. Excuse me, Elaine Dezenski. Sorry. You know, with my own last name, I shouldn't have mixed that up. Anyhow, but Derek if you'll go first, and then we will hear from Elaine.

AC Chair Pearce: Sure. Okay.

C. Derek Campbell, CEO, Energy and National
Resource Security, Inc.; Member, Chairman's
Council on China Competition

Mr. Campbell: Thank you, Madame Ambassador. Thank you, team. Hopefully, you guys can hear me. I see there is some of you on the Council know me. I see this as really a matter of national security interest for the United States, and I think that EXIM is an appropriate arm to use from a diplomatic, information, military, and then economic perspective, from a DIME perspective.

And I think this problem set, in terms of how we compete with China, is a linear problem set for EXIM. I think that we very aggressively should match what our partners in the U.K. do, you know, by going with a very low number like 20 to 30 percent so that we can actively engage opportunities throughout the world with small business, medium-sized enterprises who really cannot get enough content to meet an 85 percent mandate to help unlock financing for an opportunity globally.

Again, I see this as a matter of national security interest for us as we compete with China. And as an entrepreneur who operates in Africa and other places in the world, I have -- there have been opportunities I've missed that could've had a very nice U.S. stamp, a very nice U.S. hegemonic flair to it because I couldn't meet the requirements or the opportunity couldn't meet the requirements to have an 85 percent content.

I know there are those on my committees who differ with me about that number because they talk about things like offshoring and other untoward things that may happen, but I just hope that we use good reason and don't overstate that problem set.

I want us to stay very focused and very linear about the benefits of aggressively lowering this number and how that will aggressively help us exchange with China in markets that matter, particularly in the emerging and frontier markets where candidly those folks, those local national people who want to partner with international partners to do projects. They really want to partner with Americans, and so we need to facilitate an environment where we can make that happen very quickly and expeditiously.

Ambassador Dobriansky: Derek, thank you. And before we go to Elaine, I just want to underscore one thing that you said right at the beginning and that was the importance of this effort, and it's a matter of national security interest. And I do want

to say this that all the members of the subcommittee certainly felt very strongly about that regardless of maybe a difference about the figure, the percentage, everyone felt very strongly about that point, and I did want to underscore that. Elaine Dezenski, please. The floor's yours.

Elaine Dezenski, Founder & Managing Partner,
LumiRisk, LLC; Member, Chairman's Council on
China Competition

Ms. Dezenski: Thanks, Paula. Hi, everyone. I'm really happy to be invited to the conversation today. I just want to touch on a couple of points. I think there was a clear agreement within the subcommittee that the policy needs to change. It's antiquated.

I think the question that some of us raised was more around the nuances of, you know, whether we need to be at 20 percent or could we be at a level perhaps between 40 and 50 percent to recognize that we do have fairly robust supply chains within the U.S.

It is difficult, I think, to make a comparison between the U.S. and the U.K. in terms of what the supply chains look like domestically. I mean, there's a reason why some countries don't have this requirement at all because they simply don't have that domestic manufacturing capacity.

So I think the caution is really just to make sure that we're not somehow closing out U.S. content. If U.S. content becomes less competitive, vis-à-vis content from other locations, that may be challenging.

It's hard to know whether this would come to fruition because we don't have any data on this. So I think as we go forward, it will be important to track how the policy is affecting the local supplier base.

The other point is perhaps we need to be a bit

careful just to make sure that we're not opening the door inadvertently to more China content. So, for example, we know China is very active in Latin America. They're aggressively buying in Mexico, which means they're coming closer to our shore. So is there now the opportunity for more China content because it's coming through other doors that we may not be really thinking about.

So a lot of this is hypothetical. I think there's absolutely no question we need to change the policy, but there are some things we need to consider. Thank you.

Ambassador Dobriansky: Thank you both for that. Mr. Chairman, let me turn it back to you and really thank you both for those thoughtful comments.

Advisory Committee Discussions

AC Chair Pearce: Thank you. And again, Derek and Elaine, thank you. I wanted the Advisory Committee members to get a flavor of the discussions that went on in that subcommittee, and so you're getting a sense of that here.

And right now, then I want to transition over to discussion among ourselves. I want us to -- if you would take a look at the proposed letter to the Board themselves, you'll find the exact four recommendations that Ambassador Dobriansky's committee made to us. And now it's our job to decide exactly how we're going to state the letter and recommendations to the Board, and then they will be the ones to actually implement.

And so I just now would open the floor to discussion. Owen, you had said that you might have a conflict, and so I would like to go to you first if you can, that way we've got your comments on the floor in case you do have to go.

Member Herrnstadt: Thank you very much, Mr. Chair. Can everyone hear me?

AC Chair Pearce: We can.

Member Herrstadt: Okay, great. Yes, thank you. This is quite a radical departure from current policy, and it also appears to be moving in the exact opposite direction that many are moving, that is to try to curtail the amount of offshoring and to actually increase U.S. content in a variety of ways. So it does give us a pause to take serious consideration.

I do have actually a number of questions. I won't ask all of them. I think Elaine just mentioned one of them, which I'll touch on. I guess one of the first questions is the Summer Initiative Program. I'm curious, did you talk to any labor unions, worker organizations, other industry groups like the Alliance for American Manufacturing in reaching or in your deliberations?

Two, what is the empirical support for the proposition of lowering the domestic content for each of the ten industries in question? That, I guess, there's an assumption that it would actually increase U.S. employment. In other words, if the Bank financially supports more content made in other countries as opposed to the content made by U.S. workers, what's the empirical support for saying that that will create U.S. jobs?

If the domestic content is lowered and the Bank gives financing for foreign content, what countries will these foreign goods or services be done in? And I hate to beg the question, but will it be China, as Elaine just mentioned, particularly with loose rules of origin as China funnels through Mexico and other countries where the safeguards you're envisioning on that?

The language of the bill or the law, it talks about meeting fixed rates, et cetera, to be competitive with China, and then it uses the phrase or other conditions to the extent practicable. Has anyone checked with Congress to find out if that intent would it permit the Bank to lower public policies?

Was that envisioned by Congress on that? They certainly have mentioned policies here in the extent practical to some may indicate that lowering current policies would not be to the extent practical. But, you know, I just pose that as a question on that.

Some would say this is part of the spiral downward trying to compete with China in this way, and they would be very concerned that other issues may come up. There certainly are other ways to compete with China that don't involve content like the huge subsidies that are given to their own ECAs in their own industries. I'm wondering if that has been considered by our subcommittee on that.

Many of the industries that are in the ten group are industries that many have focused on to rebuild U.S. employment in manufacturing like renewable energy, semiconductors, making machinery to produce semiconductors, and of course, the space issues, satellites, et cetera on that. The question is, aren't you really encouraging more offshoring instead of building up incentives to retain or initiate that work at home on that.

I've got quite a few more questions on that as well. This is a serious topic, and I think it really deserves much more time of consideration, a response to each of these questions, and then some.

The Bank posted in the Federal Register right before Thanksgiving a notice for comment. I think the deadline is December 14th. It's a pretty quick period, but I kind of think a statement by the Advisory Committee at this point without knowing the answers to all these questions, it appears deliberation is premature and particularly premature without having the liberty of reviewing of what one will expect to be some significant comments coming in. Thank you very much, Mr. Chair.

AC Chair Pearce: Owen, if I could ask just to be clear, you said that this represents a radical departure from existing policy. Are you recommending that we leave at an 80 percent or

just a higher percent than the recommendation in the letter?

Member Herrstadt: Well, I think as I said before, Mr. Chair, I think there needs to be good empirical support here. I do take issue with analyses that equate job creation to the value of a contract. Value of that contract doesn't include the imported products or things like that in that on it. And I think this whole issue is one that if we're going to take seriously, we need to have some good empirical answers as opposed to some conjecture.

There's no secret why since 1987 we've seen greater imports of parts and materials come in the country of that. And I think we need to look at the reason for that and how this will impact not only U.S. workers but the U.S. manufacturing industry as well as suppliers. So I think we need to do a great deal of more work on this issue.

AC Chair Pearce: Okay. I appreciate that then, and I hope that you can stay for the full discussion because I think after we get comments from other members of the panel that we would like to come back and have you give observations because you are an important voice for labor. And I think none of us want to see some of the conditions that exist around the world imported here or even encouraged there. So I appreciate your voice in this.

Paula, he had some questions I think that were directed specifically to the subcommittee if you would like to address those.

Ambassador Dobriansky: Right, and also I'm going to ask my colleagues also to join in to Derek and Elaine, and no less the team from EXIM. Look, in terms of, you had quite a few questions, in terms of, and it's a fair point, about the discussion talking to the labor unions, in this regard, I'm going to say that I'm not aware of that directly or collectively we have not done that.

EXIM Bank and the team may want to comment on

that. I see David Trulio shaking his head. He said yes. So I'll give him the floor in just a minute on that, but I think that's a fair point that you raise. You also, you know, you mention a number other about the empirical support. On that, I think we did have quite a bit of discussion about the kind of data that does exist where, if I could flip a little bit of what you said, saying where we've been excluded.

So, you know, maybe if you flip it the opposite way, I mean in a way that's what you're saying, that by doing this is it going to up a door more for us. So on that too, I'm going to lean on David, Steve Renna, and Jim Cruse, and also I don't know if Luke Lindberg, I see him also here on the screen. Maybe let me just pause. Let's just take those two for the beginning and then let me go on with some of the others. David, can we turn to you?

Mr. Trulio: Yes. Specifically, let's go to Luke Lindberg on the specific matter of consultation with voices from the labor community.

Mr. Lindberg: Yes, happy to briefly give an update on that. Over the summer, we conducted the Strengthening America Competitiveness Initiative, where we held a series of teleconferences that had over a thousand stakeholders included in them. At the time, we invited to every single one of those public discussions every member of our Advisory Committee from last year to attend those, and it was open to the public for each one of them, including public comment periods as well.

The recordings of all of those have been posted on EXIM's website, and we put out a press release in anticipation of many of them but certainly, after each one of them, we put out a press release summarizing the feedback that we received all summer long. So we had over a thousand participants and various stakeholders participate in those.

I can't off the cuff specify, you know, that there was a specific labor voice that was represented, but they

certainly were well-vocalized and presented publicly as well as inviting every single member of the Advisory Committee to each one of those last year. And as you know, we had two Advisory Committee labor reps at all times. So those were certainly available opportunities for consideration from all members of the community.

Mr. Trulio: And more broadly whether its surveys that we've done over time, but also the over 1,100 exporters and stakeholders that we heard from, and the specific companies involved in our China competition deals pipeline, we run into the content issue again and again.

So there is a lot of data there from those direct engagements. Nobody has said you need to make the content policy stricter. If anything, there's great frustration, and people are upset that they look at Germany, which is the next most restrictive in the world, and that's a 50 percent policy, or 51 percent domestic contact minimum policy with the ability to go down. The U.K. is at 20 percent, South Korea and Japan at 30 percent, those are countries that are world-class exporters, and they just are in a very different place.

And they, you know, before I came back into government, I would see how foreign export credit agencies in industries in which I was competing, would try to gain an advantage over the United States due to the restrictions that we put on our ability as a country to support.

Maybe, David Slade, are you on, and if so, did you want to address the matter of ensuring that the Chinese state-backed entities are not supported through any moves EXIM might contemplate? Okay, maybe David Slade is on mute or can't connect.

Steve, did you have any points that you would like to add as well?

Mr. Trulio: This will increase, with respect to that specific question, we are, and I think David Slade --

Mr. Slade: Yes.

Mr. Trulio: -- muted. Are you on now, David?

Mr. Slade: Yes. Can you hear me?

Mr. Trulio: Yes, we can.

Mr. Slade: Right. In regard to whether or not we might be indirectly financing Chinese content, if that was the question, I trust that that's one factor that we can take into account when we're under this proposed approach. In fact, it's one of the things, I think, we already asked for with talking with potential borrowers, and projects, and exporters whether or not there's any likelihood of that sort in the transaction question.

So it certainly is something under the proposed approach, which we would have the flexibility to take into account. That is certainly not something we are aspiring to do. You know, apart from that, there's always, you know, the contractual terms we can impose in any transaction question.

Ambassador Dobriansky: If I may, can you -- sorry. It sounded like an echo. It sounds like Steve might have his mic off.

I think there were three issues here. One was the issue of the empirical data. Basically, we're undertaking the step of lowering content, will we, in fact, be creating U.S. jobs. That's what was on the table. The second was by moving forward, are we opening up the door, and I think that's what we were striving to answer, are we opening up a door in actuality for the Chinese, and Elaine mentioned that.

And I might put Derek a little bit on the spot because I know we did have, just to say, a discussion about this very issue. So on this second point, not on the critical data, but on this second point about, to Derek, if you heard me, the question about, you know, are we opening up the door in

actuality to the Chinese, particularly this question of offshoring?

But I want to mention it was also referenced about meeting fixed rates and that was another point that's on the table here of competitive with China and with other types of conditions are they practical. That's what I think was said, at least as I took notes from the myriad of questions put forward.

So, first, does anyone else from the EXIM team want to address the specific points about empirical data in the States, in fact, in actuality of the creation of jobs?

Mr. Renna: If I may, Paula?

Ambassador Dobriansky: Yes, please, Steve.

Mr. Renna: You know, we don't know exactly how much business EXIM Bank has lost because of our content policy, but we know anecdotally from all the companies that they truly are referenced and Luke referenced that we reached out to. It's a tremendous amount of U.S. company export business that we are not able to finance. They want our financing. They need our financing to be able to be competitive and win business around the world.

If we can't provide them financing, and they're not going to us before they're going to the private sector banking community, they come to us after when they cannot get the financing in the private sector community.

So if they can't get the financing from us to be competitive, that says they're not going to be competitive. And if they're not competitive, that means they're losing bids. If they're losing bids around the world, then they're losing market share around the world, then there are not as many jobs supported. So I would just take the inverse of that, if we were supporting them with the financing that they need, they would be more competitive, and

there would be more jobs.

And I think the other part of the empirical data to look at is to just look where every other export credit agency in the world has gone in its content policy. Are they all cutting off their nose to spite their face by lowering their content policy? No, they're doing it so they can attract more business for the companies in their countries so they can be able to export more.

So I think just looking at Jim Cruse's chart that he demonstrated before in showing that shift where the ECAs go, that's empirical data telling me that if you want to support jobs in your country, this is the direction that you need to go with your content policy as for credit. So --

Ambassador Dobriansky: Steve, I was going to say thank you cause I made the comment earlier about flipping the question, and you just did the flip, in my opinion, meaning what is the data that we did look at. Derek, I hope -- I see you really shaking your head yes. Do you want to jump in because I know this was part of our own discussion that took place in the subcommittee? And you had a number of key points that you made on this topic. Do you want to comment?

Mr. Campbell: Absolutely, Madame Ambassador. And so I'll comment on both issues. And just to rubberstamp what you and Steve Renna have said, the question is: Has the content policy helped us to date? And I would say the fact that we're all on this call means no. And so the empirical data is exactly what Steve has just talked about. All of our OECD partners are moving to the right as the graph that was shown earlier was mentioned.

Let me make one more point about that. There was the comment made earlier that there is a very robust U.S. manufacturing system in place today. I don't think that is true for small to medium-sized enterprises who want to get their supply chains and logistic chains up and running. They want to grow,

and the thing that has impeded their growth is their ability, as Stevan has said, to not get financing from their local bank, and then they can't, because of content policy, meet the requirements to get EXIM financing.

So therein lays the problem, said almost chicken and egg, where we as a nation have now hegemonic concerns because we can't use that economic power of national interest to go ahead and push U.S. hegemony out into the world.

With respect to are we opening the door for China? I understand that, and I understand why that's an issue. I understand why that content policy was put in place years ago, and how that theoretically can avert something like that, but I just don't see on the ground as a guy who was a small enterprise who is now moving into being a medium-sized enterprise in several different companies.

And in talking to folks who try to do export types of engagements whether it be for goods and/or services, I don't think that we're opening any doors. In fact, if we're opening doors, it's U.S. doors. I think there are U.S. doors that are going to be open for small to medium-sized enterprises to feel like they have a chance to compete because they have a chance to go access real financing.

And also what happens is those major manufactures can then, through those small to medium-sized enterprises, have their goods flow through those small to medium-sized enterprises who are now able to access financing, right? So I think the problem set or the position that was taken to keep the content policy high, not change it, I think, Madam Ambassador and team, that that makes this discussion very geometric when I think the problem is linear.

I think we have anecdotal and empirical evidence that you can be more competitive if you lower the standard, or lower the content policy rather, and our OECD country partners are doing that. And we

should follow suit so that we can take all of this very robust infrastructure that we have that small and medium-sized enterprises bring to the table and deploy international.

There's a problem, you know, I will speak on one other issue, and I'll leave it there. And that is there is a problem within this country, whether the narrative is real or not, that EXIM export credit financing is only available to, you know, big multinationals like Boeing. And that's not true, but that narrative still exists. And so we need to do the things that are necessary to combat that narrative, and then help those small and medium-sized enterprises deploy. Because if you do that, you're going to find that you're not opening doors for China, you're opening doors for Americans.

AC Chair Pearce: Thank you, Derek, appreciate that.

Member Sanchez: Chairman Pearce, Alex Sanchez in Florida.

AC Chair Pearce: Alex.

Member Sanchez: Can I jump in?

AC Chair Pearce: Go ahead. Jump in if you would, Alex.

Member Sanchez: Thank you, Chairman Pearce, and good afternoon everyone. Alex Sanchez from Florida, and I want to say good afternoon to Chairman Reed. Thank you for everything you continue to do, Chairman Reed, for our country and for exports. And the same to you, Chairman Pearce. Thank you for your leadership too, sir.

As I studied this issue in preparation for this meeting and did my research, I really came down to a point that was made earlier by one of the earlier speakers. As I reviewed the content policies of our competitors on a global trade basis; Germany, Canada, the U.K. our greatest ally; of course China. You know, obviously, I think I speak for everyone

on this call, 85 percent is too high. It was a different world when it was set at that number back in the '80s, and I think we all agree that is.

So the question of the hour is where should we go? And what my research and my analysis, I concluded we can't go to where Canada is at zero. I think that's too low. I think to be competitive, to help, what the previous speaker just mentioned in helping our small businesses, because Florida has 60,000 exporting small business companies in our great state, and Chairman Reed has visited with several of them, to help those companies, we've got to go somewhere between 35 and 50 percent. I don't want to go lower than 35, but I definitely want to match Germany at 51 or the 50 percentile range.

And there's a reason, it's true, there is a reason why our greatest exporting countries have a much lower number than we do. And that's because they are getting, as Chairman Pearce quoted someone, they're getting more deals at a less content ratio than by having a higher one. And I think that is true. And we do have empirical data on that. And I think the survey of 1,100 exporters and them stating that this has been an issue at times, I think it's valid.

So, Chairman Pearce, I would strongly support lowering that content from 85, and I would recommend to the committee that we go somewhere in the range of 35 to 50, and I'm open to any suggestions in that range, Chairman Pearce.

AC Chair Pearce: Thank you, Alex. Other Members of the committee?

Member Powell: Chairman Pearce, Rich Powell.

AC Chair Pearce: Go ahead.

Member Powell: I'll make just several very quick points. I'll say I too support a change to bring the content policy more in line with our global competitors and with our allies. From our

perspective, the environmental perspective, this is clearly the right thing to do for clean energy and addressing climate change globally.

Our exports, in particular, our clean energy exports have fallen dramatically behind globally, and we're faced with a global environment where China is exporting significant coal technology globally to the developing world, and it's not even the most modern, lowest emitting, most efficient coal technology. It's often the older, subcritical technology that they wouldn't even install in China.

So that's the context of the global developing world and the choices that they're making on energy, and I think putting ourselves in to a more competitive position, our clean energy exports in a more competitive position would significantly help on the environmental front.

On the China front, I would second the comments that Elaine and Owen have made that we need to make sure this policy is very carefully tailored, so we're not offering any kind of a backdoor opening for additional Chinese exports.

I will say on the solar front, for example, China now manufactures virtually all solar panels around the world. And so I do think that we need to make sure that if we open up this policy, for example, on you know the goal of solar placement, we need to make sure that we're not just, you know, in a roundabout way financing a lot of Chinese solar panels to come into, you know, American developed. That seems a surmountable obstacle and the policy could be tailored in a thoughtful way on that.

And just more broadly on this China point, I think you know, to the point we've made many times we're kind of looking at the competitiveness report, no one country in the West can push back on the scale of the Chinese export engine, but we can be collaborating with many of our allies in the West to do that.

And I think that changing this policy and lowering that requirement would enable us to collaborate more effectively on a number of these different products and say, you know, help finance say U.S. developed projects that are leveraging offshore wind turbines, for example, made by some of our European allies, and I think that would be a very healthy thing to do for our exports.

The very last point I would make on this is around nuclear energy, which we certainly define as a clean technology. I know by the letter of the law it's not included, at least to our reading of the law, it's not included in the transformational China exports program. We think it ought to be.

We think that clearly EXIM can and does play an enormous role here, and we applaud EXIM's recent MOU on the Poland Project with the hope that, you know, Poland will indeed buy a significant number of U.S. reactors and U.S. technology.

So the one thing I would argue on this is either EXIM should, you know, decide to go maybe a little bit beyond the letter of the law and just incorporate nuclear into the Chinese Transformational Export Program, especially if we're going to make this change, or if we're going to make this change on the other clean energies that are renewable and efficiency content requirements, I'd argue that we ought to make the same change on nuclear content requirements globally as we're doing that as well.

Thanks very much, Mr. Chairman. Thanks for everything that the EXIM team is doing on this.

AC Chair Pearce: Thank you and having experienced, and I don't disagree with your comments on nuclear, but having experienced the political implications of that, I will request that we not include that in this letter. We are trying a very significant thing. We're trying to discuss a very significant thing and that's the content policy. And if we throw the nuclear in, it unleashes a whole set of political implications that will cloud this picture.

I think we addressed the one issue and see if there's significant stuff about that. I would not mind communicating your recommendations on nuclear because I think you're right on point, but I don't want it to be a part of this letter. So other comments from committee members, please.

Member Cummins: Mr. Chairman, this is Bill Cummins. Having worked in trade finance for well over 30 years, I had several instances where deals were simply lost because the exporter couldn't meet the minimum content requirements. And I think T.J. Raguso would have a similar experience as well.

And the time and effort that was wasted as folks try to, you know, determine rationally what the content is and some very complex products with supply chains all over the world and components and subcomponents, and where the steel was actually extruded, those types of things can be very difficult to quantify.

And when I saw this, I smiled, that I wish I had this when I was active in trade finance, the deals that were lost, and we just handed these deals to other competitors and other countries on a silver platter. And they were laughing at us. So I think that this is overdue. I would like to see this as a trial. If it works in this China Program for Transformational Exports, I would hope that the agency looks at changing their content policy overall of their lines, particularly those that affect small businesses. There are enough impediments already to prevent small businesses from being successful in exports.

As an example, T.J. is very aware of this as well, you know, since 1982, the Bank has had the Export Working Capital Guarantee Program with the U.S. content requirement of 50 percent. Well, we had a deal that had less than that. We would just take it over to the SBA. They had the same program coming out of the 1982 Export Trading Company Act with no U.S. content requirements whatsoever. Why that inconsistency, I could never figure out.

But I think it's long overdue that the agency relax and become much more competitive with their content policies. Thank you.

Director Bachus: Chairman Pearce? Can you hear me? This is Congressman Bachus.

AC Chair Pearce: Sure, yes. Go ahead, sir.

Director Bachus: We've had this discussion on the Financial Services Committee really starting 10 or 15 years ago. There's been a realization that the content requirement was too high. Politically, what happened at that time, as some of our colleagues, Steve, on the Financial Services Committee, really wanted to put the Bank out of business. They didn't want them to do any business. And they combined with some others to where we just politically could not, even the administration wanted a change.

So, you know, and this is not something that any of us want. Okay? I mean, we're, you know, I'm sorry that our manufacturing base is eroded to the point that we're discussing this, but it has. And we have lost deals as a result of this. And I will tell you this, this is the main point I will make though, Commerce Department has a, I think what a 50 or 51 percent content requirement?

Mr. Trulio: Fifty percent.

Director Bachus: Isn't that correct?

Mr. Trulio: Fifty percent.

Director Bachus: Fifty percent. And, you know, for us not, I mean, for some period of time people have said, you know, whether they were for the Bank or not, that not aligning with the Commerce Department was problematic.

So that's my only remark. I've been listening to the discussion. I will say one of my concerns, and something that if we do lower it, China does a lot of transshipping. There are a lot of false addresses in

Vietnam, for instance, where there's really no factory, but the goods arrive from really China, but they sometimes go through the Port of Hong Kong, I mean Hanoi. And they appear as if they're manufactured in Vietnam.

So we obviously would have to watch that. And there are other concerns, but I would say just realize that Commerce today has a 50 percent requirement. And I had listened to the remarks, and it has been very helpful. And obviously this is going to be somewhat controversial, but had our manufacturing base been preserved, we probably wouldn't be having this discussion. But it is the world we live in. It is where we find ourselves. Thank you.

AC Chair Pearce: Appreciate that. We're going to go to Maria next, and sorry Chairman Bachus. I can't see my full screen and did not realize you had checked on so, welcome to you.

Director Bachus: Well, I'm actually in Louisiana. I've visited small businesses here, and I think it was Alex that said, you know, both businesses that I visited today had less than a hundred employees. So, and they're dynamic businesses, and they're growing fast. So, yes, a lot of small businesses.

AC Chair Pearce: Okay. All right. Thanks. Maria next.

Director Bachus: So I'm driving and listening. So I'm going to go back on mute.

AC Chair Pearce: Okay. Go ahead, Maria.

Member Cino: Thank you very much, Chairman and Chair Dobriansky. Just want to really highlight a little bit of tech, and I can't substantiate with actual percentages but know that, as has been stating on many occasions, we are in a global economy.

And let me tell you from a tech perspective, it's fierce out there. Competition is just fierce and

cutthroat to an extent. In addition to that though, I'll say that, which is also to say we have probably some of the most complicated supply chains. And we're trying to do better, but some of the content that we need, we can't get in the United States, which is the root of the problem.

But, I think again, everybody is working, especially during this pandemic, and realizing how critical it is to have more sources to improve on that. But the reality is, it's not going to happen overnight.

So I think that everybody has the intention of doing good, but again, very, very complicated supply chain. I think it also should be noted that the tech industry has created thousands, if not tens of thousands of jobs both with Big Tech, but also many of the suppliers, small companies that supply us.

So we're the engine of a lot of jobs, and for my company's sake, I hope that continues to be the case. But tech is extremely, extremely important in this country for national security and just for a practical sense. I have had the privilege to work in corporate America and also for the Department of Commerce and U.S. Commercial Service and the things that I have heard consistently are that one, you cannot find anything in government in one place. You've got it over multiple places, which is very frustrating for big business, small business, medium-size businesses.

And then secondly, it's the inconsistency. And I think this address, but the inconsistency, to go to the Department of Commerce and have a 50 percent content and then to go to EXIM and have an 85, it's very, very confusing for most, but it's also very frustrating.

So I will just add that I'm in agreement with the letter, and I'm in agreement to put it to 50 percent. I think that's realistic, and I think that it would definitely help with regards to particularly when you're looking at 5G, 6G, when you're looking at quantum, high-performance computing. These are

very, very complicated supply chains, and we're competing in Latin America, in the Middle East, and Europe right now with China every time we go for a deal. And this would be extremely helpful, I think, for the tech industry, in particular in the tech industry but many industries. So thank you very much.

AC Chair Pearce: All right. Thank you. T.J. Raguso.

Member Raguso: Yes, thanks, Mr. Chairman. And I just want to second what Bill Cummins was saying. He and I over the years have really been supporting the same customer base, and I've seen it so many times with our small and medium-sized companies that we support. They all want to buy U.S., but there are some things, some components of the supply chain, I mean it's definitely changed over time, that just can't be sourced locally.

And if we as, you know, commercial banks, we're supposed to be the lowest cost of outside capital support that our customers can access. And if they can't access the EXIM financing, which is, you know, allows them to do more because we're trying to support exports, it becomes more expensive and more expensive means less competitive.

And so we see many times when these deals, they just didn't win. And so you would much rather have the U.S. company win it and have to rely on, you know, a foreign supplier for some component than just to not win. And that's really what we see happening. It definitely has happened. So I very much support relaxing those standards to make, you know, make these programs more competitive.

AC Chair Pearce: Thank you. Sean McGarvey. Let's go to Sean McGarvey next.

Member McGarvey: Thank you, Mr. Chairman. Two quick questions, have we had access to and studied the data from Germany when they made the change what the impact was? And --

AC Chair Pearce: Full-time staff, do you want to take that?

Member McGarvey: Okay, good.

Mr. Cruse: Germany went to 50 percent about three years ago, but they had been at a three-tiered approach, which had 50, 65, and 75 or something. But they did an enormous study, which did have a lot of factual information in it that did provide the same type of analysis that I gave in the chart that showed that their domestic content had gone down and, therefore, to save jobs -- that's how they approached it to save jobs -- they had to go to 50 percent.

AC Chair Pearce: Sean, is that okay?

Member McGarvey: And so they did save jobs, I guess, is that the answer to the question? When they lowered the content requirement to 50 percent, they saved jobs in Germany?

Mr. Cruse: That was their intent, and they believe that they did do that, yes.

Member McGarvey: Yes. So is there any empirical data that we've been able to look at, I know it's only been three years, that proves that point?

Mr. Cruse: They haven't provided any. That doesn't mean it doesn't exist. We haven't asked them because we have not been engaged on this subject.

AC Chair Pearce: Sean, if I can jump in here. This is something that I was watching pretty carefully, and about that same time three or four years ago, they implemented a cap and trade policy which was very restrictive. The price of electricity went up three and four times, so many factories began to shut down 12 -- they were trying to run 24 hour shifts and then shut down to 12 hours.

And they just were losing manufacturing, so I'm not sure that it's possible to dissect what was the

greatest effect, but I know that they began to reverse the cap and trade policy pretty significantly about that same time because they were just losing market share. Go ahead with your second question.

Member McGarvey: Thank you, Mr. Chairman. And how about Canada? We have access and study the data on their content policy with the net effects are on, you know, domestic jobs and stabilization or increases of wages for workers in those industries.

Mr. Cruse: They have had a very low content policy for a very long time because they have never had much of a manufacturing base. They have done a lot of analytical work justifying the fact that they don't put an emphasis only on jobs. They put an emphasis on Canadian benefits, and a lot of their analysis goes to showing that they can attract corporations to put a headquarters there. In other words, they're looking for the larger economic impact, not just for jobs.

And so their analysis has been on that basis, not on the number of jobs supported. But they have done a lot of work that indicates that case by case transactional deal with suppliers and customers can generate the Canadian economy. That's the conclusion they've come to, and they defended it in their Parliament.

Member McGarvey: Thank you, Mr. Chairman.

Mr. Trulio: And of note, Canada can go all the way down to zero percent, so it's a very aggressive model.

AC Chair Pearce: Rodney Ferguson, you're up.

Member Ferguson: Yes, thank you, Mr. Chairman, and thank you to the staff of EXIM for putting this information together. I'd like to recognize a couple of the panelists that I thought made particularly good points, Elaine at the very beginning and Maria, and you know, Mr. Powell particularly.

I am on the Advisory Committee presumably to represent the interests and the considerations for the environmental community. And one thing I would like to just note is that it would be in both American business and American renewable business interests to assure that we are as competitive as possible, not just for the sake of those businesses, even though that's very important. But let's not forget, for the sake of meeting environmental goals and really taking on climate change in that restrictions on a moving renewable technology further faster, we should be looking at anything we can do while both helping American workers and American companies in the renewable sector but also helping to expand technological innovation.

And as we know, if you look at the renewable sector, the United States is still a technology innovator in that space, but increasingly, we are falling further behind in terms of the ability of our companies to manufacture and compete. So that's something that I think is important to recognize.

Second point, I would say I would agree with several of the panelists who have mentioned a lack of hard empirical data about the effects on jobs would be helpful. And I would hope that moving forward from this point that we could build that in to an analysis of the impact of lowering the content standards to be able to in a year, or two years, or at an appropriate period in which we had data to support a more fulsome analysis of what this has done to American employment in the clean and renewable sectors, particularly.

And I would also add that I agree with several of my colleagues here that going from 85 to 20-30 seems a bit draconian. And I know that several have mentioned that that puts on us a more competitive basis with some of our trading partners and competitors.

But at the same time, I think that it seems to me to

make more sense to look at something reasonable in the short-term like a 50 percent, which would also put us in concert with the Department of Commerce. That seems like the sensible approach, and also then it allows us to analyze that move within a year or two and see what the real impact has been on employment in the, again, particularly in the renewable sector.

So I would, in sum, say that I do think it's important that we look at a reduction in this content standard but to do so in a perhaps more modest way than the current letter reflects, and to make a commitment to have an empirical base to examine in a year or so to determine whether and how this policy has been successful. So thank you, Mr. Chairman, and thank you to, Chairwoman Reed as well for your leadership, and we appreciate the opportunity today.

AC Chair Pearce: Rodney, thank you very much. We're going next to Venkee Sharma. Thanks.

Member Sharma: Thank you, Mr. Chairman, and thank you to Chairman Reed as well for the opportunity. I represent small business, but I also represent water treatment, which is one of the transformational exports.

I have a few points here. And we've been working and had the pleasure of working with EXIM Bank for over 25 years. We've seen, and in my previous engagement with the Advisory Committee in the late 2000s, sorry, yes, late 2000s, the issues around competitiveness were just starting to boil in our discussions. They weren't as far along as in this discussion. I think this is a fascinating discussion.

A lot of good points put out, but I can tell you from firsthand experience as a small business exporter, first of all, without EXIM, a small business exporter can't play in that game. The reality of trying to go other options as a small business exporter without EXIM financing means you really just don't play in the game.

Second of all, we've lost scale. I mean we're in different planets with where Chinese manufacturing is and where our manufacturing is. And unless we scale back, and we save jobs, and we begin scaling in that aspect, start at a small business level, we're not going to move the needle.

And you know, we've seen these ECAs. We compete day-to-day with all of the countries you have, and you know, ultimately the two things that resonated the most, I love the letter. The two things in the letter that resonated the most for me was the content policy recommendation. And I wholeheartedly support the 20 to 30 percent. We also use the Working Capital Guarantee Program, and I think that if we don't take a very aggressive approach, and we have to remember exporting is one of the things that American companies do. And right now that's declining on an ongoing basis. And if we're going to strengthen American companies, exporting is something that has to increase and has to increase in all sectors.

So I think from a small business perspective, you can't even compete today. Water treatment uses steel. Really what we bring to forces are innovation and our technology. And if we have to export steel at 85 percent, we're not going to lose the deal, we're not on the same playing field.

So I can't emphasize that you know, competition, for us over 25 years, the importance of content has resonated more and more year on year. And to this point, we can take data and see all the deals we lose, or we're not even in the same playing field. So I mean 20 to 30 percent is totally a step that puts us, starts getting us, you know, we got to get our head above water. We're not even above the water here. And we got to take a reality check to that.

AC Chair Pearce: Thank you, sir. Joanne Young. Joanne? Joanne? Try that again. Joanne Young.

Member Young: Okay. Thank you, Mr. Chairman, and thank you, Chairman Reed, and Paula

Dobriansky for heading this council up, which is so critical. I'd like to comment on how important this letter is in this change in policy is not just from the standpoint of competitiveness today but looking ahead to where we're going.

And I would like to, in particular, address the commercial aircraft manufacturing business, which is so important to U.S. workers and companies. And picking up on Derek Campbell's comment, small and medium-sized business companies are very much in the supply chain supporting commercial manufacturing.

We have a big threat coming from China in this area. Back in May of 2008 when they started their efforts with COMAC to manufacture a commercial jet airliner, they weren't taken that seriously. I mean, it was Boeing and Airbus that basically were supplying the world's jets. And it's dramatic in my industry to see how quickly they've caught up.

They are expected next year to be delivering the C919 model, which will compete directly with Boeing 737 and the Airbus 320neo, which are really the workhorses of the industry.

BBC reports they've already got 1,000 commitments for this aircraft, and whether or not western U.S. government certifies it, they're going to be looking heavily to Africa and Asia where this is going to be a much more affordable aircraft than what is on the market today.

And when you look at how huge their aircraft market is itself and add in Asia and Africa, I think it's a very significant threat, and we need to make our content policy and all other policies as helpful as they can be so that we don't slip back to maybe second or third in this critical manufacturing area.

So I support the letter and relaxing the content standards as have been suggested.

AC Chair Pearce: And Joanne, before we leave you,

would you recommend staying in the 20 to 30, or would you recommend a higher? We're starting to kind of get a difference of opinion here on the committee members, and we'll need to take a vote shortly.

Member Young: The 20 to 30 percent is what I would support. And what is it, sometimes you have to ask for something, and you may end up somewhere else, but I don't think we should start any higher.

AC Chair Pearce: Okay. Thank you. We're going to go next --

Ambassador Dobriansky: Chairman Pearce, we can't hear you. Yes. You've got two other --

AC Chair Pearce: Okay. So we have not heard from Larry Goodman, Bill Huntington, and Chris Smith. So I would welcome any of you to give observations.

Member Goodman: Sure. This is Larry Goodman speaking. Thank you, Chairman Pearce, and I want to commend the excellent work that the China subcommittee did and the staff did in preparation on this topical issue.

I do support a change in content policy and want to share a few observations, and then talk about some caveats.

In terms of observations, the first, it's really extraordinary in looking at global trade. Global trade was 30 percent, less than 30 percent of GDP in the 1980s. Now we're near 50 percent of GDP is global trade. And when you look at the post-COVID response, the reliquification of the global economy, we're going to be above 50 percent global trade relative to GDP in a very short period of time. So this is a topical and important issue.

The second point that Chairman Pearce made in his initial comments that I haven't heard repeated, but

I think is important is that 30 percent of something is much, much better than 85 percent of nothing.

That said, I think there are three things that we should keep in mind. The first is that this is a highly complex issue, and there are undoubtedly multiple vectors at play, especially this notion of backdoor active stakes being taken by the Government of China in organizations and entities throughout the world. So monitoring this and understanding this would be helpful.

The second is a point that we raised on the PEFCO subcommittee, and that is we felt strongly not to follow China's expansion of debt and China's strategy for carving out a bigger piece of the export pie in the tradable pie. There are ongoing challenges internally in China regarding debt, and I think that we should be just cognizant of these issues before pursuing a strategy.

And there are two wonderful books on China. One is The Great Wall of Debt by Dinny McMahon and another is Red Capitalism by Carl Walter that talks about some of these issues.

With that background, I think it's important for the United States to structure our own creative strategy here, and that could be an important component of this.

And the third issue is something that has been ongoing since I've been fortunate enough to be on this Advisory Committee, and that is there have been ongoing charges of industrial policy. This is certainly not the case here.

These changes are changes that reflect this big reality that I talked about in the statistics regarding how important global trade has become, but we do need to be cognizant of that ongoing charge. So in sum, I do support the change at this important point in time.

AC Chair Pearce: Thank you, Larry. Bill, comments?

Member Huntington: Good afternoon, Mr. Chairman. Thanks again to you, Chairwoman Reed, and fellow committee members. It's great to see everybody. And Paula, to you and the entire subcommittee, thank you for all the great work, a really robust discussion this afternoon.

It's clear from everything we've discussed and has been presented that the content policy, ours is one of the highest in the global marketplace and clearly there are some hindrances to allowing and enabling our U.S. workers to compete in this increasingly competitive global marketplace.

I found, Jim, your brief, and the update on the China mandate, specifically that shift that you articulated from the content required to more of a national interest approach to be very telling and indicating from a trend standpoint over that long time period. And clearly we've got some work to do to both level the playing field and be more competitive.

I am in favor of a change and a reduction in policy. You know, early on in this discussion was leaning very heavily everybody to that 20 to 30 percent range.

By way of a little bit of background, I represent the apparel and textile sectors of which, I think, we all know China has not only been competitive but dominant.

Mr. Ferguson, I think that your point on empirical data and maybe a phased approach is a very interesting one. So in favor of a policy change, my thinking is more in that mid-range right now, maybe not all the way to a minimum of 20 percent and not as high as 50 percent, so I land sort of in the middle, everybody in the, you know, the 30 to 35 percent range. Thank you, Mr. Chairman.

AC Chair Pearce: Thank you very much. Chris Smith? Chris Smith?

Member Smith: The unmute button is not kind, but I think I got it. Thank you, Mr. Chairman.

I would go back to endorse your original comment, which, you know, I heard is 51 percent of something, beats 85 percent of nothing, but you know, that number is valuable. I think we have to look at the Canadian and German experience and why they did what they did.

And it sounds like we need to do a bit more homework to get the data to back that up. But I bet they know why they did what they did, and certainly the Germans have a superior export record to us. That may speak for itself.

But I think the math on this is pretty straightforward and simple. The more deals that we can take from competitors, the more American content we can support with those deals. And so this is about increasing the volume, and sometimes you have to lower the price to increase the volume in a market.

And I think this discussion and this proposal makes a lot of sense because on things like 5G, there is no U.S. content for us to export, so China gets the entire market. And so we've got to be able to collaborate with our allies to develop alternatives to China's sourcing, and this is the only way to do it. Thank you, Mr. Chairman.

AC Chair Pearce: Thank you. Next we've got Linda Upmeyer.

Member Upmeyer: Okay. I think I unmuted and you can hear me all right. Is that correct?

AC Chair Pearce: We can.

Member Upmeyer: I am, of course, still at the airport so I'm masked, so it may be a bit muffled. This has been a very interesting conversation, and I really want to thank everybody that's worked hard on this.

I think the arguments that we need to make some changes are very valid. I'm not sure I know what that magic number is but certainly the point that I heard is that that number can certainly be higher if the market allows that, if there is that opportunity. But I'm certainly willing to support that number being exactly as recommended and to give that flexibility the range that folks may very well need to participate. So thank you very much.

Member Herrnstadt: Mr. Chair, if I could get in sometime?

AC Chair Pearce: Yes, go ahead.

Member Herrnstadt: Are you looking at me, Owen?

AC Chair Pearce: Yes.

Member Herrnstadt: Yes, all right. Thank you. I think Director Pryor also had her hand up. I just want to make a couple of brief comments, and I know we're running out of time.

One, the comparison with Germany and Japan and other countries is apples and oranges. The only U.S. policy that is built to help support and create manufacturing and service jobs in the U.S. is through the Export-Import Bank directly related to public policies like domestic content.

Germany and Japan have not suffered the offshoring of manufacturing jobs and service jobs that the U.S. has because they have other industrial policies that they adhere to. So that's apples and oranges.

The second thing is: are we really saying that the EXIM Bank is now going to be supporting more foreign steel in U.S. exports? Is that what we're saying here? Being paid by U.S. taxpayers? Putting more U.S. steel workers out of work or not helping those industries to resurrect themselves? I'm just curious on that.

The point about the aerospace industry and China was an excellent one except it's 180 degrees from that because China built their aerospace industry by transferring and getting U.S. and European aerospace technology transferred to it over the years. And over the years, American workers were told it's better to have a little bit of the pie than a bigger part of the pie.

Well we've seen what's happened since the 1980s with that. We've seen how that has led to millions and millions of manufacturing jobs being offshored.

And while everyone is looking at trying to restore those jobs, I am absolutely mystified as to why the Bank would entertain a policy to dumb down its domestic content policies at this point, particularly without the empirical support that both Mr. Ferguson and I have talked about, and I think one or two other people as well on that. Thank you.

AC Chair Pearce: Thank you. Scott Palmer. Scott Palmer?

Member Palmer: Thank you, Mr. Chairman, and thank you, Chairman Reed. I'm favorable to modernizing the content policy, lowering the percentage from 85 percent.

You know, it's interesting to me that I think we all -- I'm a litigator. I handle disputes, and so usually one side wants X and one side wants Y. And so it seems here that really we all have the same goal in mind, which is more exporting and more U.S. jobs, so it's how to get there.

I am sympathetic to the points that some of the labor leaders have raised on this call. I think if I were in their shoes I'd be asking the same questions, which is where is the empirical data that there are going to be more jobs.

You know, having said that, I would ultimately be in favor of lowering the percentage. I would give some deference to the labor leaders' concerns, and

I think as I've heard the arguments, I'd come down closer to a 50 percent than a 20 percent, with maybe something, you know, in the middle. Thank you.

AC Chair Pearce: Thank you. Director Pryor.

Director Pryor: Thank you, Chairman Pearce, and thank you everyone. This is a wonderful conversation. I just had a question about your discussions and was wondering -- I guess an opening for this, and I'll be quick because I know we're at the 4:00 point here.

When I first got to EXIM, I had the good fortune of addressing as a speaker, Chairman Ross's Renewable Energy and Energy Efficiency Advisory Committee. And in that meeting, one comment really stuck with me. I was bombarded with industry representatives and business people saying you've got to change your content policy. We can't do anything in renewables with the existing policy.

But there was one person in the room that pulled me aside after and said I feel that this is a competitive advantage for me because I manufacture everything in this country and while it might cost me a little bit more, I know that I can come to EXIM for financing.

So I give you that as an example, and my question is: during your discussions, did this topic come up, less about how to expand the pool but how not to penalize those that are using solely a U.S. supply chain or that are hitting that 85 percent content point? I'm just wondering if it was part of the discussion.

And then my second question, also a question about your discussion, is did EXIM's mission come up in that discussion? Right? We have a very specific mission, and I feel that a lot of what we're talking about today has broader implications. And so I'm wondering if you've talked about that as well. I'll go back to mute.

AC Chair Pearce: Sure. Thank you very much. Ambassador?

Ambassador Dobriansky: Yes, thank you. Three brief answers, one, working backwards, the mission definitively of EXIM was absolutely what undergirded the discussion. Also, it was mentioned at the beginning, I believe it was in David's comments of citing the National Security Strategy document and the competition with China, in particular. So yes on that.

On the second, you asked about did we discuss those companies that have a type of, you know, holistic approach of, you know, made in the U.S.A. I would say, I remember in terms of the back and forth at least, and I'd like my colleagues to correct me if I'm wrong, but yes, that did come in because we also debated this. It wasn't like this was, you know, we were looking at the different angles and are there consequences and what are the consequences. And obviously all companies are not the same, you know, large or small.

And forgive me, there was the third. You had a third in there I think, or no.

Director Pryor: No, that was really it. And I think, I mean yes, it is a debate. I just was curious to hear how that conversation kind of went because, you know --

AC Chair Pearce: Okay.

Director Pryor: -- because I mentioned it --

AC Chair Pearce: I appreciate that, Director.

Director Pryor: Okay.

AC Chair Pearce: So if I can walk through some of the major concerns, of course the labor representatives are concerned about losing American jobs in this attempt to broaden the market. I think one of the most compelling things as

a small business person myself is that many times small businesses simply don't have the capacity to determine the content.

Let's say that you're going to build an engine, and you have to figure out where the valves were made, where the crankshaft was made -- you can't. I've got a friend in the engine building business. He's not exporting, but these factors, it's very complex and small businesses just cannot function on that level.

So when I consider the reauthorization and the pushes that EXIM is to modernize and change and quit being a bank just for the big corporate giants, you know, I recall those discussions early on that these are accusations that are made for us.

And we tried to bring in to the Advisory Committee these discordant voices that disagree with the whole mission of EXIM and give voice to those because I think it's a very important discussion that we have on even the mission of EXIM.

But small businesses I think really is what several of the senators who were very opposed to reauthorization, they were saying that one of the reforms is you've got to broaden this appeal out to where small businesses can begin to thrive because small business is the backbone of the American economy. And many times, it is the backbone of the innovative piece of the American economy. And so that's a very compelling argument.

One example from my background is I served in Congress. I represented one of the few districts in the entire country that had rare-earth minerals being mined in the 2nd District of New Mexico, and we had about 11 of those mines.

A combination of things, but mostly regulatory, ended up offshoring all of those mines into China. It was at that point China then began to discuss, and I don't know if they've actually done it, but they began to discuss an excise tax of 35 percent, which

would've put all of our cell phone manufacturers out of business because without the rare-earth minerals, then they can't produce these high-tech pieces of, you know, telecommunication whether it be in avionics for aircraft or the cellphone/computer technology.

And so that's one kind of big example of how the Chinese are willing to really manipulate the markets. And we must be cognizant of that as we have these discussions. And they are -- these are very difficult discussions.

And I said in the opening, I suspect that Congress when they put the Advisory Committee into position didn't think of the value for us to have this discussion rather than forcing the discussion upstream into the Board itself.

It's very difficult under the requirements that we have as an Advisory Committee authorized by the Congress but as you move up the political chain, those discussions get more complex, more political, and so I myself am glad that we have this opportunity to sit and discuss.

I know that we're over time and if anyone has to go, you need to flag me. I really don't want to short-change this discussion, but I'm hearing the small business people say stick to 20 to 30 percent. I'm hearing on the other side, Owen and maybe Sean saying why are we having the discussion at all? It should stay at 85 percent.

Then I'm hearing numbers that fall in the middle somewhere from, I think from Chris or Scott just said maybe 50 percent is a suitable position for us to be in -- that was Scott.

Then someone very compellingly said 30 to 35 percent might be the best recommendation for us to send up to the Board itself.

Keep in mind, whatever number that we send is simply a recommendation. They're going to have to

have a discussion, and that discussion is going to be very much more open and impactful of the markets. And so the gravity, the importance, the consequences of that discussion are somewhat greater than our open family discussion here.

So I'm looking for a -- we've got the draft letter, and we're going to consider that as the document. And so I'm looking for an amendment, if there is one, to that content level.

And we'll take a vote first on the amendment. If there is no amendment, then we'll simply have an up or down vote on the content policy that is stated from the China subcommittee. And so that's the process that I'd like to get engaged in now.

Do I hear someone with a motion to pass, or reject, or to amend the letter as it stands right now?

Member Sharma: Motion to pass the letter as it stands right now.

AC Chair Pearce: Okay. And I don't have a screen, if you'll help tell me who made the motion to pass as it stands?

Member Sharma: Venkee Sharma.

Ambassador Dobriansky: That was Sharma.

AC Chair Pearce: Sharma, okay. Thanks. So I've got a motion that we approve the letter in the form that it is now. Is there a second to that?

Member Young: I second.

AC Chair Pearce: Okay, just identify yourself, or Luke, if you can be sure and get these motions and second --

Member Young: Joanne Young.

AC Chair Pearce: Okay. All right. The motion has been made and second that we send the letter as it exists right now, and you have a copy of that on

your screen. Have you all taken the time to read that letter? Do we have a good sense about it? The main things are the four points that the Ambassador made, the four bullet points down towards the bottom of that column so as the discussion goes if you need --

Member Sanchez: Chairman Pearce, Alex in Florida driving.

AC Chair Pearce: Alex.

Member Sanchez: Could you just quickly refresh my recollection on those four? I read the letter this morning, but please state those four points on that. Thank you.

AC Chair Pearce: Absolutely. Number one, EXIM should increase the competitiveness of its content policy to better align with other U.S. agencies and foreign export credit agencies. Specifically, we recommend a U.S. content minimum of 20 to 30 percent to better level the playing field with our foreign allies and competitors within the OECD such as Japan and the United Kingdom. That's bullet point number one.

Bullet point number two, EXIM flexibility in making national interest determinations similar to the guidelines governing the Advocacy Center at the U.S. Department of Commerce. And again, the Advocacy Center, if I recall from the subcommittee discussion, is at 50 percent.

Third bullet point, EXIM should have dedicated resources to fund operating costs and financing flexibility to carry on the program's mission, including a yearly evaluation of the competitiveness of the program vis-à-vis China.

The fourth bullet point, EXIM should be part of a holistic, whole-of-government approach to financing transactions in concert with other tools and agencies of the U.S. statecraft.

Those are the four bullet points that are the substance of the letter. There's background information that you're all pretty familiar with in that letter.

Other comments? We've got the motion to pass the letter as it exists. Other comments or amendments?

Member Ferguson: Chairman Pearce, this is Rodney Ferguson. I would forward an amendment to erase the content standard recommendation from the current 20 to 30 percent in the letter to 50 percent.

AC Chair Pearce: Okay. So there's an amendment on the floor that would raise from 20 to 30 percent to 50 percent. Is there a second for that motion? Rodney Ferguson made the motion.

Member McGarvey: Sean McGarvey seconds.

AC Chair Pearce: Sean McGarvey seconds that. And so now we're going to the discussion of the amendment itself. We had a lot of different inputs on that. I would, again, recommend that we keep our comments brief. I think we probably all know where we stand, but I want to have full discussion and then call for a vote on the amendment. Then we will go back to the letter. So discussion on the amendment to move from 20 to 30 up to 50 percent.

If there's no discussion, we will go to a vote on the amendment. And Brittany, I would ask that you do a roll call here if you can and log in each one of the votes, if you will, so the vote here, and we'll do a roll call vote, is whether or not you approve changing from 20 to 30 percent to the 50 percent.

Ms. Walker: Sure thing. All right. So I'm going to pull up our names here. Apologies, actually Luke, do you have the names handy while I have the screen up?

AC Chair Pearce: I've got the list if we need to use this.

Mr. Lindberg: I've got it right here.

Ms. Walker: Can we go through the list, Chairman Pearce, and I will go ahead and make a notation, that would be great.

AC Chair Pearce: All right. Maria? Maria still on?

Mr. Lindberg: Now we can hear you, Maria.

AC Chair Pearce: Bill Cummins?

Member Cummins: I vote nay on the amendment.

AC Chair Pearce: Ambassador?

Ambassador Dobriansky: Nay.

AC Chair Pearce: Mr. Ferguson?

Member Ferguson: Yes.

AC Chair Pearce: Mr. Goodman?

Member Goodman: Yes, for it.

AC Chair Pearce: Mr. Herrnsstadt?

Member Herrnsstadt: Nay.

AC Chair Pearce: Mr. Huntington?

Member Huntington: Nay.

AC Chair Pearce: Mr. McGarvey?

Member McGarvey: Yay.

AC Chair Pearce: Mr. Palmer?

Member Palmer: Nay.

AC Chair Pearce: Mr. Powell? Mr. Powell?

Mr. Lindberg: Chairman, Rich Powell had to sign off for another meeting.

AC Chair Pearce: Okay. Mr. Raguso?

Member Raguso: Nay.

AC Chair Pearce: Mr. Sanchez?

Member Sanchez: Yes on the amendment.

AC Chair Pearce: Mr. Sharma?

Member Sharma: Nay.

AC Chair Pearce: Mr. Smith?

Member Smith: Aye.

AC Chair Pearce: Ms. Upmeyer?

Member Upmeyer: Nay.

AC Chair Pearce: Ms. Young?

Member Young: Nay.

AC Chair Pearce: Is there anyone who did not get a chance to vote?

Member Cino: Mr. Chairman, I'm sorry. I've got my mute off now. Nay for Maria.

AC Chair Pearce: Okay. Anyone else? Brittany, is there anyone else that I've missed here on the list?

Ms. Walker: I believe we have a vote in for everybody except for Mr. Powell.

AC Chair Pearce: Mr. Powell has checked off to a different meeting. The Chairman would vote nay on the amendment. And if I could have a report from Brittany on the vote itself?

Ms. Walker: Yes, Mr. Chairman. On the amendment we have 11 nays and 5 yays.

AC Chair Pearce: Okay. So the amendment fails. In view of our discussion, and again trying to keep things moving along here, I would entertain a motion at a different level if the committee so desires. The movement all the way to 50 percent

has failed, but I heard a lot of suggestions somewhere in the 30 to 40 percent range. Anybody going to make that amendment, or are we going to stay and take the vote on the letter at 20 to 30?

Member Sanchez: Mr. Chairman, Alex in Florida. I move 40 percent, Mr. Chairman.

AC Chair Pearce: Okay. We've got an amendment for 40 percent to the letter. Is there a second? Alex Sanchez has put in the motion. Is there a second to the motion?

It appears that the motion is going to die for lack of a second. Is there anyone else who would like to make a different number?

Hearing no amendments, is there further discussion on the letter itself?

Member Cino: Motion to accept the letter as is.

AC Chair Pearce: Okay. We've got that motion on the floor already. And so any discussion before we go to a vote on that? And keep in mind, that we are simply making recommendations to the Board itself. They've got to go through this same process and so the 20 to 30 will help small business, and it will help somewhat in the reforms that were suggested by senators who pretty deeply opposed the EXIM completely, but that discussion needs to be held by the Board.

So no other discussion. We'll move to a vote on that. Maria?

Member McGarvey: Mr. Chairman?

AC Chair Pearce: Go ahead. I've got comment on that.

Member McGarvey: In your opening for this portion of the meeting you spoke to the fact that small business is unable to count the content on their exports. If they couldn't do it at 85 percent, are they going to be able to do it between 20 and 30

percent?

AC Chair Pearce: If you would like, Mr. Sharma, you addressed the small business as well as anyone. You would like to make comment here?

Member Sharma: Yes. I think that the complexity that's involved, I don't think this is strictly an issue of -- I mean we are a business that can count content.

My comments didn't go around that I think the Chairman has some specific other experiences, but I would say that very clearly the content movement is critical for small businesses. If it doesn't move the needle and it's not significant, you might not, once you start going deep, and we're a company that has been able to count content and understand.

The 85 just doesn't work, and the 50 doesn't work. It has to be something that, we have to look at what the real global competitive dynamics are out there in the world and face reality.

I'm sorry I'm not answering your question specifically, Mr. McGarvey, but that's my answer.

AC Chair Pearce: Other questions? Other discussion on the letter itself at the 20 to 30 percent level? Hearing none, we'll go to the vote. Brittany, if you would again tally the vote --

Ms. Walker: Yes, happy to.

AC Chair Pearce: Maria?

Member Cino: Yay on the original letter.

AC Chair Pearce: Bill Cummins?

Member Cummins: Yay.

AC Chair Pearce: Ambassador?

Ambassador Dobriansky: Yay.

AC Chair Pearce: Rodney Ferguson?

Member Ferguson: Nay.

AC Chair Pearce: Mr. Goodman?

Member Goodman: Yay.

AC Chair Pearce: Mr. Herrnsstadt?

Member Herrnsstadt: Nay.

AC Chair Pearce: Mr. Huntington?

Member Huntington: Yay.

AC Chair Pearce: Mr. McGarvey?

Member McGarvey: Nay.

AC Chair Pearce: Mr. Palmer?

Member Palmer: Yay, yes.

AC Chair Pearce: Mr. Powell, he again checked out.
Mr. Raguso?

Member Raguso: Yay, yes.

AC Chair Pearce: Mr. Sanchez?

Member Sanchez: Nay.

AC Chair Pearce: Mr. Sharma?

Member Sharma: Yay.

AC Chair Pearce: Mr. Smith?

Member Smith: Aye.

AC Chair Pearce: Ms. Upmeyer? Joanne?

Member Upmeyer: Yay.

AC Chair Pearce: All right. Is there anyone who did not get the opportunity to vote?

Mr. Lindberg: Chairman Pearce, this is Luke Lindberg here for clarification. In your email inbox is an email from Rich Powell. He had to leave early but

he did say if they voted on the original letter, he would support it.

AC Chair Pearce: Okay. So we will cast Mr. Rich Powell as a yay.

Mr. Lindberg: And I'm happy to share that with the whole committee for confirmation on that for public record too.

AC Chair Pearce: Okay. All right. Other votes that were -- didn't get a chance or want to change a vote? The Chairman would vote yay. And so if Brittany, if you would give us a report?

Ms. Walker: I'm so sorry. Can I please get a vote from Linda?

AC Chair Pearce: I did not hear Linda vote.

Ms. Walker: I did not hear Linda vote. Linda?

Mr. Lindberg: It looks like she just signed out or maybe dropped.

Ms. Walker: I believe she might be back, but I believe you are not muted. Linda, if you can hear us, please tell us your vote on this.

Okay, well notwithstanding Linda's vote, we have 4 nays and 12 yays.

AC Chair Pearce: Okay. So the motion passes to send the letter to the Board as it exists. Now we can make technical corrections before it goes, but the substance, we won't change that.

So if you have technical corrections to the letter, wording or phraseology, and someone mentioned a phrase early on that I underlined, and I will take a look at that. That was the other conditions to the extent practicable that Owen brought that question up. We will review that particular phrase and make sure that that's accurate. Other than that --

Member Herrstadt: Mr. Chair?

AC Chair Pearce: Go ahead.

Member Herrstadt: Yes, I would like my dissent to be duly noted, and an opportunity to file a dissent. Thank you.

AC Chair Pearce: You will be afforded that opportunity, and of course anyone else will be afforded that opportunity. We also would request that both directors on the call that you could reflect the differences of opinion, and we can summarize those with staffers to give you the different positions on the content percent. And so you all have been able to hear the discussion back and forth on that, and I would have those notes available to you as you discuss on the full Board.

Then we will make those dissenting opinions available. And we will submit those with our letter. Anyone who would like to sign on the dissenting piece, just let full-time staff know, and we will include that.

Are there other comments now regarding the content policy or anything that should be thought of or put forward?

Closing Remarks

Director Bachus: Chairman Pearce, this is Director Bachus.

AC Chair Pearce: Yes, sir.

Director Bachus: I have listened to those that either wanted a higher content, and I think they do make some valid points. So I want them to know that I have taken their concerns seriously. And it is --

AC Chair Pearce: All right, thank you. Yes, Director Pryor --

(Simultaneous speaking.)

Chairman Reed: Chairman Pearce. This is Kimberly Reed. And I just want to say thank you for this very

thorough discussion. I, like Director Bachus and Director Pryor, really wanted to hear what this Advisory Committee had to say.

We've all listened, and I can't thank you enough for your leadership of the votes that took place as well. We can tell you're a chair because of your great legislative ability, sir.

And I want to thank Ambassador Dobriansky and the committee for putting forward their detailed recommendations. And I know that we look forward to receiving the comments and the letter. And really appreciate, as Congress has asked us to neutralize China and advance America's comparative leadership in the world with respect to technology, and we have to report every year how we're doing on that, and it keeps me up at night to wonder how we can fulfill that duty without being able to do things like 5G.

So I really appreciate everyone's comments and want to wish everyone well. Thank you so much.

AC Chair Pearce: Thank you. And Director Pryor, any closing comments from you?

Director Pryor: No. Thank you, Chairman Pearce. It's been a wonderful opportunity for us to listen to your conversation, and I thank you for answering my questions. And we have a lot of work to do, and a lot of documentation, and notes to review, and I look forward to getting those from the Committee. Thank you.

AC Chair Pearce: Thank you very much. And so each one of our members, thank you very much. This is not the end of the discussion. This is sort of the beginning of it, and we will watch as the Board moves on it. We will keep you posted. And any suggested technical changes, we will circulate to the Committee members and have you sign off by email to anything that we might change.

And with that, this meeting is adjourned.

(Whereupon, the above-entitled matter went off the record at 4:26 p.m.)