

Export-Import Bank of the United States

Board of Directors

Meeting

Thursday,

December 17, 2020

The Board of Directors convened via webinar at 9:30 a.m. EST, Kimberly A. Reed, President and Chairman, presiding.

Present:

Kimberly A. Reed, Chairman
Spencer Bachus, III, Member
Judith Delzoppo Pryor, Member
Wilbur L. Ross, Jr., U.S. Secretary of
Commerce, ex officio

Staff Present:

James C. Cruse, Senior Vice President, Policy
Analysis & International Relations
Luke Lindberg, Senior Vice President, External
Engagement
Ryan McCormack, Chief of Staff
Stephen Renna, Chief Banking Officer
David Trulio, Counselor to the Chairman &
Senior Vice President, Program on
China and Transformational Exports

Also Present:

Keith Krach, Under Secretary of State

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Proceedings

(9:33 a.m.)

Proposal to Consider Changes to Content Policy

Chairman Reed: Good morning, everyone. This is Chairman Kimberly Reed. I would like to welcome everyone in attendance this morning, including U.S. Secretary of Commerce Wilbur Ross -- who often serves as an ex officio member of our EXIM Board of Directors -- Under Secretary of State Keith Krach, and Under Secretary of Commerce Joe Semsar. May I call the meeting to order. May I have a motion to consider Item No. 1 on the agenda?

Director Pryor: Good morning, Chairman Reed. This is Director Pryor. Motion to consider Item No. 1, proposal to consider changes to content policy with respect to the Program on China and Transformational Exports. The decision required is approval.

Chairman Reed: Thank you. Is there a second?

Director Bachus: Good morning. This is Director Bachus and I second the motion. Chairman Reed: Good morning, Director Bachus. And I hope you and your wife are doing well down in Alabama, sir.

Director Bachus: We're fine. As you know, we're dealing with COVID. We both have it. But we're both optimistic.

Chairman Reed: Well, we send our prayers to you. Prior to the presentation, it is my understanding that Secretary Ross would like to make comments regarding today's agenda items. I now would like to recognize Secretary Ross for his remarks.

Secretary Ross: Thank you, Chairman Reed, Directors Bachus and Pryor for developing today's proposal to permit EXIM to finance exports and designated transformational sectors containing at least 51 percent U.S. content. This would replace

the current 85 percent requirement.

Over the past 40 years, the old policy had helped ensure that EXIM Bank's financing supports American exports and jobs. But as the world changes and global supply chains become more complex, our competitors have adopted more flexible approaches. Germany, for instance, has a 51 percent domestic content rule that can approve exceptions. United Kingdom requires only 20 percent. And Canada has no required percentage, provided that the transaction benefits the country. Meanwhile China provided \$33.5 million of financing during 2019. And they actually provided 90 percent of all G7 export financing for the period from 2014 through 2019.

So I welcome the EXIM Board's consideration of the proposal today to modernize our U.S. content policy. The new measure will bolster U.S. export competitiveness. And I attended yesterday's National Security Council principals meeting, at which we supported the idea of going to even less than 51 percent U.S. content provided that we were satisfied that the remaining content was from satisfactory sources and that the project was transformational.

This is critically important to U.S.

exporters and foreign buyers, and as a result, EXIM will be able to approve more than \$1 billion potentially in financing requests under the Program on China and Transformational Exports. These include water treatment and 5g telecommunications programs, among others. And I'm especially pleased that the proposal includes the Commerce Department recommendation that each applicant must submit a written actionable 3 to 5 year plan for expanding U.S. jobs as part of the process. This includes potentially reshoring supply chains and sourcing back to the U.S. from offshore. Our department will continue to help EXIM implement your Program on China and Transformational

Exports. I thank you and I look forward to our discussion and hopefully approval.

Chairman Reed: Thank you very much, Secretary Ross. It's also my understanding that Under Secretary Krach has comments on behalf of the NAC. I now recognize Under Secretary Keith Krach - - leader of Clean Energy and The Clean Network for our country -- for his remarks.

Under Secretary Krach: Kim, thanks so much. And I appreciate the opportunity to speak briefly here at this historic meeting of the Export-Import Bank. I think you know how I feel about this organization. You guys have done tremendous work and we owe you a debt of gratitude. And it was so great to hear those kind words of support from my good friend, Secretary Ross. We've been able to accomplish a lot together.

And on behalf of Secretary Pompeo and the extraordinary E Family at State, I want to thank you and I want to thank all the Board members for your initiative to take what is a groundbreaking and necessary action today. And I say necessary because I think as all of you know, economic competitiveness is so key. And companies like Huawei and ZTE, backed by financial power of the People's Republic of China -- I call it China Inc. -- are mounting an aggressive campaign to undermine the security and integrity of telecom systems around the world.

Huawei's an extension of their surveillance, the state's most important -- it's the only brand that is worldwide recognizable. And ZTE is popping up again. And this -- I think as everybody knows -- is a fundamental national security issue. Not just for the United States, but for democracies all around the world. And the State Department, we've been leading the way with The Clean Network. And for those of you who don't know about The Clean Network, it is a comprehensive approach to addressing the long-term threats to data privacy,

security, human rights, and trusted collaboration as posed by malign authoritarian actors like the Chinese Communist Party.

And I've been traveling all over the world, 25 countries in the last couple months to Europe, Middle East, Latin America. And you know, I've really had a chance to see citizens of the world wake up to the truth about the Chinese Communist Party. And I talk about it in terms of the 3Cs doctrine of concealment, cooption, and coercion.

I think the citizens of the world understand that the pandemic is a result of the concealment of the virus. Citizens of the world have seen the cooption of Hong Kong and how it has eviscerated its citizen's freedoms. And people have heard now about the coercion in Xinjiang and how it has grown to some of the worst human rights abuses of our times. And they don't like it.

And it has given the political will to government leaders and to CEOs all over the world to stand up to that China bully. And you know, the good news is The Clean Network can help stand up to that bully because there's strength in numbers and there's power in unity and solidarity. I think we've all had experience with bullies in our life. And what I've come to learn is when you confront a bully, they back down. But they really back down when you have your friends by your side.

And The Clean Network has turned the tide against Huawei and ZTE. Last February, the President of Huawei's carrier business announced they had ninety-one 5g contracts. The most we can count now is a dozen. And now on The Clean Network, we have 53 countries that represented two-thirds of the world's global GDP, 180 telcos, and dozens and dozens of world leading companies like Oracle, Fujitsu, HP, Siemens, NEC, Oracle, the list goes on.

And you know, The Clean Network to be fully adopted in regions such as Africa -- and that's a big one on our list -- in South Asia, Latin America, the

U.S. and our partners must make the financing available for trusted clean companies. And you guys are such a big part of it and such a big part of this success story because we've kind of been saying hey, we think we're going to be able to get the authorities here with the export-import back.

And you know, with The Clean Network, not only will we turn the tide on Huawei, but we've actually proven that China, Inc. is beatable. And in the process, we exposed their biggest weakness. And that is nobody trusts them. And as you know, it can be -- it's going to be applied to clean cloud, clean cable, areas like clean infrastructure, clean financing, clean supply chains, clean energy as Kim announced. So this is monumental.

And that's why the EXIM and its new China Program are so important. And you are the financial linchpin to building our coalition of clean countries and clean companies. And without this change to EXIM's policy, U.S. financing simply would not be available for these 5g deals that are coming down the pike in so many different parts of the world. And this would totally hamper our ability to keep data and intellectual property secure, because 5g is more than just smartphones. This is power grids, manufacturing processes, sanitation systems, internet of things, everything.

So from the bottom of my heart, I thank you in advance for your historic action today. And you're performing a great service to our economic and national security. And thanks for your leadership, Kim. And I look forward to collaborating with you guys. You're great partners. And I look forward to seeing a lot of great work out of EXIM. Thanks so very much.

Chairman Reed: Thank you so very much, Mr. Under Secretary. It's been an honor to work with you, sir. I'd now like to recognize and thank EXIM's Chief of Staff, Ryan McCormack, EXIM's Senior Vice President for Policy and International Relations, Jim

Cruse, EXIM's Counselor to the Chairman and Senior Vice President for the Program on China and Transformational Exports, David Trulio, and Senior Vice President for External Engagement and Lead on Strategic Initiatives, Luke Lindberg. Please introduce yourselves for the record and present Item No. 1.

Mr. McCormack: Yes, thanks for that kind introduction, Chairman Reed. To the Board, Chairman Reed, Director Bachus, Director Pryor, Secretary Ross, and Under Secretary Krach, my name is Ryan McCormack and I'm the Chief of Staff at EXIM.

At the outset, I'd like to recognize you, Chairman Reed, for your leadership in conducting an extensive review of EXIM's content policy in order to craft this narrowly tailored proposal specific to the ten sectors identified by Congress in EXIM's Program on China and Transformational Exports.

It's been a long road to get to this point, starting with EXIM's historic seven year reauthorization nearly one year ago on December 20th, 2019. This bipartisan legislation signed into law by President Trump directed EXIM to establish a new Program on China and Transformational Exports in order to one, directly neutralize competing subsidies provided by the People's Republic of China through official export credit, tied aid or blended finance. Or two, advance the comparative leadership of the United States with respect to the People's Republic of China or support United States innovation, employment, and technological standards through direct exports in ten transformational sectors.

Those sectors are: (1) artificial intelligence, (2) biotechnology, (3) biomedical sciences, (4) wireless communications equipment including 5g or subsequent wireless technologies, (5) quantum computing, (6) renewable energy, energy efficiency, and energy storage, (7) semiconductor and semiconductor machinery manufacturing, (8)

emerging financial technologies, including technologies that facilitate financial inclusion through increased access to capital and financial services, data security and privacy, payments, the transfer of funds and associated messaging services, and efforts to combat money laundering and the financing of terrorists, (9) water treatment and sanitation, including technologies and infrastructures to reduce contaminants and improve water quality, (10) high performance computing and lastly, associated services necessary for any of the forgoing exports.

Chairman Reed, immediately following the enactment of EXIM preauthorization, you directed staff to form a Reauthorization Implementation Team to manage and task relevant EXIM divisions to achieve full implementation of the new congressional mandates. The Program on China and Transformational Exports was established with great speed. Soon after, David Trulio was detailed to EXIM from the Department of Defense to lead this historic undertaking. At your direction, EXIM -- in line with your unwavering commitment to transparency and accountability -- launched the Strengthening American Competitiveness initiative in order to directly engage with over 1,100 diverse stakeholders in the transformational export sectors. The insights and feedback from this initiative have played a crucial role in informing the proposal before the Board today. Importantly, every member of EXIM's Advisory Committee was invited to attend each of these sessions in order to hear from stakeholders in these sectors directly.

Underscoring once again your commitment to transparency, following the completion of each listen session, you directed a fact sheet, press release, and audio recording of the session be uploaded to the EXIM website for those stakeholders or interested parties that may have missed the session. Stakeholders in our listening session repeated time and again that the primary obstacle for the utilization of EXIM financing in their

particular sector was EXIM's content policy.

On July 7th, 2020, you presented before the House China Task Force -- at their request -- on the role of EXIM and how the Program on China and Transformational Exports may be used to counter China. Critical to the members was that EXIM deliver on the mandate signed by Congress.

On September 10th, 2020, the 2020 EXIM Annual Conference launched. This conference -- which had the highest number of registrants in EXIM history -- also underscored the importance of the Program on China and Transformational Exports and ways EXIM could be more competitive in certain sectors. Dozens of meetings to analyze and pursue the recommendations received through the initiative from meetings and annual conference occurred in the weeks that followed.

Eventually, a proposal focused on transformational exports began to take shape. Although it is not required for EXIM work policy modification, you called for a notice in the Federal Register announcing a public comment period on possible changes to the EXIM content policy specific to transformational exports. You promptly directed staff to issue a press release announcing the comment period in order to further increase public awareness of the opportunity to have their voices heard.

After the conclusion of the public comment period, the EXIM Board Directors were provided all relevant public comments and a summary of the comments to weigh those viewpoints ahead of final consideration by the EXIM Board occurring today. Of the 43 comments received, 30 were supportive of EXIM proposing a more targeted content policy for transformational exports. Nine opposed any changes to EXIM content policy, and four comments were nonresponsive to the notice.

On November 23rd, 2020, the EXIM Advisory Subcommittee on Strategic Competition with the

People's Republic of China convened to discuss the PRC impact on American interest and economic security and discuss recommendations to ensure U.S. workers have the best opportunity to succeed in today's global marketplace by encouraging EXIM to modernize its medium and long-term content policy. The Subcommittee then drafted a letter to the Advisory Committee on content policy to be considered at a later date.

On December 2nd, 2020, Chairman Stevan Pearce of the EXIM Advisory Committee convened a virtual meeting to discuss how modernizing EXIM's content policy for transformational exports ensures U.S. workers have the best opportunity to succeed in today's global markets.

As part of that meeting, the Advisory Committee voted to send a letter encouraging the EXIM Board Directors to establish a separate content policy for transformational exports. Notably, the recommendations received from the Advisory Committee urged the Board to adopt a content policy of between 20 and 30 percent to better level the playing field for U.S. exporters' relative foreign competitors.

On December 3rd, 2020, the Board of Directors and National Advisory Council on International Monetary and Financial Policies -- which includes the Department of Treasury, Department of State, Department of Commerce, the Office of the United States Trade Representative and other agencies -- were provided with a 7-page proposal for the review a full two weeks in advance of today's meeting. We directed staff to engage with the House Committee on Financial Services and the Senate Committee on Banking, Housing, and Urban Affairs to brief Committee staff on the proposal under consideration by the Board. Those briefings occurred on December 8th and 11th respectively.

In another win for transparency, you offered considered changes to EXIM's content policy in an

open meeting, which is noticed to the public and for which the public may attend. You opted to do this just as you have for every policy modification the EXIM Board has considered under your tenure, even those that do not require a Board meeting to effectuate.

Soon you will hear from other presenters who will underscore the usefulness of the proposal before the Board with the public comments, Advisory Committee recommendation, congressional input, stakeholder engagements, and thorough and comprehensive EXIM staff analysis. The Board is well-positioned to vote on the policy up for consideration today. The process you directed fully reflects your commitment to enhancing transparency and accountability.

That concludes my presentation. And I would now like to recognize Jim Cruse -- Senior Vice President from the Office of Policy Analysis and International Relations -- for his presentation.

Mr. Cruse: Thank you, Ryan. My name is Jim Cruse. I am in charge of the Unit of Policy Analysis and International Relations at EXIM Bank. In that capacity, I am responsible -- for good or not -- the policy of content. That policy is -- has been in effect as a competitive issue for over 50 years. It was mentioned in the first competitiveness report as an issue and was mentioned very prominently in the last competitiveness report. And in-between it's been mentioned in every competitiveness report.

Content is defined as that part of a U.S. contract that is sourced from or provided by U.S. sources. Therefore, it is taken -- for better or worse -- as a proxy for EXIM Bank accomplishing its key existential job of supporting U.S. workers and jobs.

Most importantly, unlike almost every other policy at EXIM Bank, this one is neither -- comes from the charter, nor does it come from the international arrangement on export credits. This policy is Board enacted, Board enforced, and Board controlled.

Therefore it is quite appropriate at this time for the Board to evaluate its use.

And I want to set in a context, while content is used as proxy for the benefits to U.S. jobs, that doesn't mean that content is a proxy for the benefits that accrue from other U.S. objectives, be they industrial policies, national security, or others. So it's important to note that its use in one mandate does not necessarily mean that it is appropriate use in the other. And what you're doing today is evaluating whether other benefits justify amendments from the current policy just for the sector on transformational exports.

Now the policy itself is defined as the lesser of 85 percent of the contract value or 100 percent of the U.S. content. This numerical system is designed to ensure that EXIM's support and the risk involved is only on those parts of a contract that benefit U.S. jobs. But there are three important components of the policy that you need to recognize as you're dealing with it.

The first is the level. And by the way, that level of 85 percent means that it is 100 percent of the finance portion of a transaction. That is by far the highest percentage of any industrial country. All the others are 50 percent and down. The second key component is that the policy requires that to be covered, the U.S. exports have to be shipped from the U.S. That means that a U.S. export that went to Mexico, incorporated in a component there, and shipped to the buyer from Mexico to say Algeria, would not be eligible for EXIM support. This is a rigidity that no other export credit agency enforces. And thirdly, there is practically no incorporation in content. By that, I mean the tires from France that are put on a car in Detroit are still considered French content, not U.S. content.

Once again, this is one of the most strict and rigid approaches to content anywhere in the OECD world. In all of this, you can see that we have not only a

very high bar, it is a very rigid bar. I will note that there has never been an exception to the U.S. content policy. Content was 100 percent until 1987. Since 1987, it has been at 85 percent. Never in all of that time was there ever an exception.

We do not enforce this by auditing, but we do require the exporter to sign a legal certificate saying they, as far as they know, are meeting the requirements. And moreover, we do go out every once in a while and ask exporters how they confirm their content. And we have found that in almost every case, both large and small exporters have very detailed, thorough, and impressive documentation processes.

The issue today is the fact that we have -- why there is an issue today is that in the 2019 charter, effectively you had the existence of a new mandate, the economic security is now security concept of China and transformational exports. In effect, with the addition of that as a mandate, you have something like the immovable object meeting the irresistible force. Because from the time we created the policy in 1987 through the next 33 years, there's been a steady force of globalization, starting with the fall of the wall -- Berlin Wall. And then China joined the WTO in 2001.

Content in every stage has been put up for bid. And in every country in the world, the ability of main providers, such as GE, to have domestic sourcing for all of their content competitively and priced competitively has been undermined. So that in most countries, much less than 50 percent of a value of a contract can be sourced domestically. That's the unstoppable force.

And now you have a mandate that EXIM Bank support certain sectors in the economy. Well it just so happens that globalization, while it affects different countries differently, it also affects sectors. Some sectors of the economy -- including the U.S. - - have left in it very little U.S. platform. It just so

happens that the mandate on transformational exports identifies some of those sectors. And in effect, what you're left with today is that if there is no change in the impact of the content policy and specific to the content policy on EXIM activity, the Bank would not be able to support many of the sectors that are in the mandate. And that is the issue today.

I'll be glad to answer any questions. Thank you.

Chairman Reed: So Mr. Trulio, I think you're next.

Mr. Trulio: Thank you, Chairman Reed. Thank you to Jim Cruse and to Director Bachus and Director Pryor for this opportunity to address the Board. My name is David Trulio and I'm Counselor to the Chairman and Senior Vice President for the Program on China and Transformational Exports. In this portion of the meeting, I'm going to very briefly emphasize, briefly address -- along with contributors from across the EXIM Senior Vice President ranks -- a handful of issues.

First, the geopolitical context in which EXIM and United States generally are operating. Second, the stand-up of the Program on China and Transformational Exports and what exporters and other stakeholders have been telling us about how we can best serve them as they compete with entities backed by the People's Republic of China. Third, we'll address feedback and insights from EXIM's Advisory Committee and its Subcommittee on Strategic Competition with the People's Republic of China.

We will also address the nature of the feedback from the open comment period addressing whether changes to EXIM's content policy would improve the competitiveness of American exporters -- and by definition, their workers -- as they face intense competition from transformational export sectors from China.

I'll then address the Advocacy Center -- very briefly

-- at the U.S. Department of Commerce and how it served as an important model as we considered a new content policy specific to transformational export sectors. And by that, I mean the U.S. export content threshold that the Advocacy Center applies. And then I'll of course describe key aspects of the proposal before you.

So very quickly, I'm going to turn to the geopolitical context. It's important to contextualize this discussion as noted in the National Security Strategy of the United States of America. China challenges American power, influence, and interest and is attempting to erode American security and prosperity. Indeed, China's infrastructure investments and trade strategies reinforce its geopolitical aspirations.

As further noted in the National Security Strategy, to maintain our competitive edge, the United States will prioritize emerging technologies critical to economic growth and security. As stated in the U.S. Strategic Approach to the People's Republic of China issued by the White House earlier this year, both in response to the PRC's documented unfair and abusive trade practices and industrial policies, the administration is taking strong actions to protect American businesses, workers, and farmers and to put an end to Beijing's practices that have contributed to a hollowing out of the United States manufacturing base.

Our whole of government approach supports fair trade and advances United States competitiveness and promotes United States exports. So in that context, I'm going to talk about the stand-up of the Program on China and Transformational Exports and our Strengthening American Competitiveness initiative along with Luke Lindberg here in a moment.

Immediately following EXIM's December 2019 reauthorization, the EXIM staff under the leadership of Ross Branson and the Office of Congressional and

Intergovernmental Affairs, that office convened a cross-divisional set of working groups to task and implement the provisions of the reauthorization.

Section 402 of that reauthorization specifically required the creation of a program on China and transformational exports, and I was hired in April to lead the program. This has been a whole of EXIM undertaking with dozens of EXIM staff members supporting Section 402 implementation, program development generally, and the policy proposal before you today.

I am pleased to report that EXIM has developed -- the EXIM team has developed a China competition project pipeline that currently has dozens of opportunities across different levels of maturity. And certainly while a great deal of work needs to be done to develop, assess, and complete individual transactions, we estimate that our current pipeline of deals competing with China is well over \$2 billion. The industries covered range from telecommunications to water treatment, to renewable energy, among others.

So now I'd like to quickly and briefly turn to Luke Lindberg -- Senior Vice President for External Engagement -- to address a key initiative EXIM launched to gain insights and feedback to ensure that EXIM's Program on China and Transformational Exports is optimally positioned to support American jobs by facilitating U.S. exports. Luke, over to you.

Mr. Lindberg: Thank you, Mr. Trulio and thank you, Directors Pryor and Bachus and Chairman Reed for all of your leadership. I think you all know that I feel very fortunate to have served in this capacity of leading the external engagement function at EXIM. In particular, I feel like I have one of the best jobs. And it's quite simply because I get to interact on a daily basis with our export community and hear their concerns, work with them on ways we can improve our practices, and generally bring them

into the fold of EXIM and what we're doing.

And I'd like to give a special thanks to our team in the external engagement function for their good work, particularly led by Chrissy Harbin with respect to the Strengthening American Competitiveness initiative we launched over the summer. As Ryan McCormack, our Chief of Staff, previously mentioned, we had over 1,100 stakeholders who participated in these calls. The calls were open to the public. They were very well attended. We found the content to be extremely high quality.

We posted all of these things online for available consumption after the discussions. But more specifically, the series that we held included renewable energy on May 7th, wireless communication including 5g on May 14th, biotechnology and biomedical sciences on May 21st, semiconductors on May 28th, artificial intelligence, high performance and quantum computing on June 11th, water treatment and sanitation on June 18th, and emerging financial technologies on June 25th.

And what I'd like to highlight from this for our key takeaway -- and after each of these meetings, our team got together and summarized notes and compiled them into memos that we considered internally -- was that the most consistent threat across all these industries was the challenge of EXIM's content policy with respect to these sort of transformational export areas. And the fact that they specifically needed us to bring our content policy into the 21st century, which would allow these technology-based markets to really access EXIM financing for the first time.

Speaking with the folks who work in our technology sectors in the banking division at EXIM, there hasn't been much by way of many of these technologies in recent years. And so this was a follow-on to many conversations we'd previously had where we heard these same things. But it was really a robust opportunity for us to hear directly from exporters

and we were proud to have helped lead that in the Office of External Engagement. Thank you, Mr. Trulio.

Mr. Trulio: Thank you very much, Luke. And I'm going to add that consistent with the feedback from the initiative and with respect to the EXIM China competition transaction pipeline that I referenced earlier, we in the EXIM staff assess that our current content policy will not enable EXIM to finance any of the telecom transactions in the pipeline. And that the current policy overall limits EXIM's ability to support companies and therefore American workers competing against PRC-backed entities in those transformational technology sectors.

More broadly, in terms of the feedback we're received from the community, it is important to point out that every year EXIM conducts a survey of exporters and lenders as required by the charter, and --- as well as we conduct focus groups and one on one meetings to gauge customers' views on the competitiveness of EXIM's financing. Year after year, these engagements -- along with frequent discussions with exporters and stakeholders that are in addition to the former ones that I mentioned -- reveals that EXIM's U.S. content policy is the number one obstacle to EXIM's overall competitiveness.

And as noted over the years, but as most recently articulated in EXIM's report to the U.S. Congress on Global Export Credit Competition from June of this year, numerous exporters and lenders indicated that other export credit agencies continue to be flexible with their foreign content policies and are willing to support U.S. content via their untied programs in exchange for soft mittens to work, to procure from, or source suppliers from the foreign export credit agencies country in the future. Furthermore, exporters and lenders described EXIM's Foreign Content Policy as the strictest among export credit agencies globally, and that EXIM is less competitive than foreign export credit agencies.

So now I'd like to turn back to Luke Lindberg to discuss briefly the Advisory Committee and the Subcommittee and the insights that were gained in November and December from each of those bodies. Luke, back to you.

Mr. Lindberg: Yeah, happy to talk through that, Dave. Thanks again. So in anticipation for the implementation of this program on China and Transformational Exports, our Advisory Committee Chairman, Stevan Pearce decided to put together a Subcommittee that he nominally calls the Chairman's Council on China Competition to address the implementation of this program and give the program its best shot at success.

And he organized a meeting -- By the way, Paula -- Ambassador Paula Dobriansky was selected to Chair this Subcommittee of our Advisory Committee. And the two of them organized a meeting on November 23rd of this year to discuss specifically EXIM's content policy and how it would relate to this new program. It was a very robust discussion. They were -- I was incredibly impressed with the thoughtfulness of all of the variety of perspectives that were brought to the table. They discussed our mission of EXIM and how to support U.S. jobs. But also specifically how to compete with the Chinese and level the playing field for our companies against the state-backed competition that many of them face.

So the output of that discussion from what we normally call our C4 Committee -- the Chairman's Council on China Competition -- was a letter that Ambassador Dobriansky brought to Chairman Pearce and the Advisory Committee for discussion in a public forum that took place later that month. And so the Advisory Committee took the recommended letter from the Subcommittee and debated it. Again for folks who are referenced in awareness, our Advisory Committee is charged with advising EXIM on our policies and programs. In particular, on the extent to which EXIM provides competitive financing

to support American jobs through exports.

The committee is comprised of 17 members and is appointed by the Board of Directors. The committee includes representatives from the Environmental, Production, Commerce, Finance, Agriculture, Labor, Services, state government, and textile industries. At that meeting -- the public meeting that took place where this was discussed, the Advisory Committee overwhelmingly voted 13 to 4 to recommend to Chairman Reed and the Board of Directors an update to EXIM's content policy with respect to the specific program on China and Transformational Exports.

Specifically the four recommendations they provided to the Board were that, 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.

The second recommendation was that EXIM should have flexibility in making a national interest determination similar to the guidelines governing the Advocacy Center of the U.S. Department of Commerce. The third recommendation was that EXIM should have a dedicated set of resources to fund operating costs in financing flexibility to carry out the program's mission including a yearly evaluation of the competitiveness of the program vis-a-vis China. The fourth was that EXIM should be a part of a holistic, whole of government approach to financing transactions in concert with tools and agencies of U.S. statecraft.

After the meeting, we did receive a dissenting opinion from two of the Advisory Committee members who voted no on the initial suggested letter. So again, it was a 13 to 4 vote in the public meeting. Afterwards, Alex Sanchez who represents

the financing industry and Rodney Ferguson who represents the environmental community co-signed a dissenting opinion that was shared with the Board of Directors. And their recommendations for that included all of what was included in the letter with a change that EXIM should revise the United States minimum content requirement to be 50 percent, instead of the 20 to 30 percent that was recommended.

EXIM should also conduct this change within a review period. And that EXIM should publish a report within the next three years outlining what has happened as a result of this policy change. Again, all of this was conducted in a public forum. The discussion in my opinion was rich and provided an opportunity for many different sides to weigh in. And I thank you, Dave, for the moment to clarify and exemplify this activity that we've undergone. Thank you, sir.

Mr. Trulio: Thank you very much, Like. Now I'd like to quickly turn to Jim Cruse who will address the nature of the feedback from the open comment period that addressed, quote, whether the changes to EXIM's content policy would improve the competitiveness of American exporters and by definition their workers as they face intense competition in transformational export sectors from China. Jim, over to you please.

Mr. Cruse: Thank you, Dave. As the Chief of Staff, Ryan McCormack mentioned the totals were 43 came into the deadline. We actually got one more this morning, but that one doesn't count because it came after the deadline. Thirty were for, nine were against, and four didn't really address the issue of content. But let me give you a little flavor about those that were in the 30 and those that were in the nine.

The members that voted to change and many of them did not really specify a number, the letters were coming into response to just an open invitation

to comment in our content in general. And so they didn't address any specific level. But they did very clearly have two different aspects. One came from companies that said they had no chance of competing for a contract under the standard 85 percent. In other words, they were saying that they could not possibly find U.S. content related to their transaction that would meet that criteria. And therefore it was highly unlikely that their company would be able to win bids in their sector.

Another side -- another group of people were highlighting the fact that, in order for the U.S. to win the transactions that were associated with some of these sectors because of the important national security aspects, that it was critical that EXIM Bank lower its content to allow those few companies that could do something to at least lead the transaction.

On the other side, those who opposed also fell into two broad camps. There were a few specific companies that felt that withdrawing or reducing the 85 percent to a lower number actually took away a competitive advantage they had because they do meet the 85 percent standard. And then so long as we have that standard, they have an advantage over other U.S. companies. This wasn't they had a competitive advantage against foreigners. But within the U.S., they had a competitive advantage by meeting the 85 percent.

The other side came from those who were looking at it more in a long-term macro sense and saying that, if you reduce the 85 percent, you are providing or creating an incentive for people to outsource down to the number that you create.

And so in fact you have both sides of the fundamental question here. There are those people who are looking at a glass that is at least not half full. And saying that without a reduction in content, they will not be able to support transactions. Their jobs will not be added to the total. On other side, you see people who feel that if you reduce the

content level, you will lose jobs eventually because people will outsource.

The fundamental question to the bank today is whether, in aggregate overall, there is more benefit to the country to supporting those who can do less than 50 percent or less than 85 percent and running the risk that there are some outsourcing that is associated with it. This is not a black and white. We can guarantee that there would be no companies that would reduce their content. But there are clearly many, many companies that would not be able to compete without it.

It is basically the old economic concept of elasticity. When you reduce the price, do you get more volume of sales? In this sense, more exports than you do if you leave it alone? Our argument -- the argument of the respondents to the survey is that they believe there are many more benefits associated than there are potential costs. That's sort of the implication of the survey. Back to you, Dave.

Mr. Trulio: Thank you very much, Jim. Much appreciated. As I start to wrap it up, I now would like to turn to an instructive approach to U.S. content reflected by the Advocacy Center of the U.S. Department of Commerce.

As stated by the Advocacy Center, the goal of U.S. government commercial advocacy is to help level the playing field on behalf of U.S. businesses and workers competing for international contracts against foreign firms and to promote the growth of exports of U.S. goods and services around the world. For the Advocacy Center at Commerce, to approve U.S. government commercial advocacy for an exporter, when it comes to U.S. export content, commercial advocacy is presumed to be in the U.S. national interest if the bid or proposal would meet the 50 percent U.S. content threshold. This threshold is met if goods and services produced in the United States meet at least 50 percent of the value of the bid in proposal.

Of note, the Advocacy Center may approve commercial advocacy for a bid or proposal that does not meet the 50 percent threshold if it determines that such commercial advocacy is nonetheless in the U.S. national interest. In making its national interest determination, the Advocacy Center will consider in addition to the 50 percent U.S. content threshold, five factors.

I'll go through them quickly. The first is whether the bid or proposal includes a significant dollar value of exports of U.S. goods and services, whether the foreign project or procurement opportunity provides a substantial probability of future exports of U.S. goods or services, whether the foreign project or procurement opportunity provides a substantial benefit to the U.S. industrial base or technological capabilities in the industry or industries concerned.

Fourth, whether the potential for U.S. export content to the foreign project or procurement opportunity is limited, for example, by reason of restrictions or conditions imposed by the terms of the project or the procurement opportunity, or because of the economic unfeasibility of sourcing particular goods or services from the United States. And fifth, whether the foreign project or procurement opportunity provides export opportunities for small and medium-sized enterprises that might not otherwise be available.

EXIM's Chief Banking Officer, Steve Renna who is here with us today, is the past executive director of the Advocacy Center. And if the Board so chooses, he can address how these factors are applied in practice.

The proposal before you today to the members of the Board, tracks the Advocacy Center's five factors -- those five factors I just briefly walked you through and adds two additional factors. Specifically whether other potential sources of co-financing to cover non-U.S. content required by the project or procurement opportunity were insufficient after due

consideration. And finally, whether the foreign project has the potential to contribute to the establishment of a strategic U.S. export foothold in a key foreign market. So we take the five Advocacy Center factors that I mentioned, almost word for word, and then the two I just mentioned.

Now beyond the Advocacy Center approach, the EXIM staff considered additional policy options mostly revolving around the concept of addressing the definition of content. This proved terribly complicated and without precedent. The Advocacy Center approach was far simpler, accepted, and applicable to the whole U.S. government and sufficiently effective according to feedback from many exporters.

Now more broadly and crucially with the underpinning of incentivizing more U.S. content -- and this is in keeping with some of the comments that Jim Cruse mentioned earlier -- it's consistent with them -- to incentivize more U.S. content for transactions with higher percentages of U.S. content, EXIM will seek to provide more favorable terms and conditions than those were lower percentages of U.S. content.

In addition and by contrast, content in a proposed offering that is of Chinese origin, shall be presumptively ineligible for financing by EXIM.

Now in terms of implementation, the staff proposes to establish a detailed implementation framework and criteria to operationalize the principles in the proposal by March 31st, 2021 -- so the end of the first quarter of next year. Significantly from an assessment and transparency perspective, EXIM will conduct a review of the impacts and results of the changes, solicit public feedback through a Federal Register notice, and issue a public report on the content policy by December 31st of 2023.

So in conclusion, the proposal before you -- the members of the Board of Directors -- reflects a culmination of extensive outreach and engagement

that leverages years of feedback and insight. Today at this very moment, U.S. workers and their employers are facing fierce competition from the People's Republic of China. Our exporters are eager for the support that Congress directed when it authorized EXIM. For the reasons stated moments ago, exporters in our own transaction pipeline tell us that modifying EXIM's content policy specifically for transformational export sectors will help unlock the power of this agency in supporting American workers in these technology sectors that are key to our long-term prosperity and security.

So with that, thank you. And I very much look forward to your comments and questions.

Chairman Reed: Thank you so very much, Mr. Trulio, Mr. Cruse, Mr. Lindberg, Mr. Renna, and Mr. McCormack. I really thank you for your presentations. There are no further comments from other agencies through our NAC process, but I would like to read a couple of other interagency colleagues' comments to me that were sent in.

First of all, Brent McIntosh, Under Secretary at Treasury for International Affairs. Dear Kim, With regard to tomorrow's meeting, we have heard repeatedly from the private sector that government financing is an important element in decision making, particularly when alternative financing is readily available from China. Congress acted on this same understanding when it created a new program on China and Transformational Exports last year, mandating that EXIM authorize tens of billions of dollars for transactions competing with China, particularly including 5G wireless telecom deals.

I know that EXIM has spent months reevaluating its U.S. content policy in close collaboration with interagency counterparts, and we understand that existing EXIM policy would effectively disallow financing of any 5G transactions. As such, we join State in Commerce in supporting your proposed change to the content policy. Best wishes for a

successful meeting. Brent J. McIntosh, Under Secretary for International Affairs, U.S. Department of the Treasury.

Also I received a letter from U.S. Secretary of State Pompeo. And I know that Director Pryor and Director Bachus have this letter. It is dated August 5, 2020. Dear Chairman Reed. It is in the clear and abiding national security interest of the United States that our allies and partners around the world deploy 5th generation 5G telecommunication networks using only secure and reliable equipment and services.

High-risk telecommunications equipment vendors from the People's Republic of China including Huawei and ZTE, which pose clear national security threats to the United States, our allies, and partners have for years benefitted from tens of billions of dollars in credits, grants, loans, subsidies, tax breaks, and other forms of state support from the PRC government, policy banks, and state-owned commercial banks.

This calculated and aggressive approach by the PRC has led to serious distortions in the global telecommunications equipment market that reinforce the PRC's geopolitical aspirations. EXIM must immediately step in to address this problem, acting on the intent of Congress and the President as reflected in its historic seven-year bipartisan reauthorization in Public Law 116-94.

EXIM must take every action necessary to neutralize export subsidies by the PRC, support U.S. exports in 5G and other technologies key to our national security and prosperity, and ultimately to level the playing field for trusted vendors as part of its program on China and Transformational Exports.

Indeed, EXIM must take all available steps to ensure foreign mobile network operators are able to purchase equipment and services from trusted vendors such as Ericsson, Nokia, and Samsung and their many U.S. suppliers on terms and other

conditions that as stated in Section 402 to the extent practicable or fully competitive with the rates, terms, and other conditions established by the People's Republic of China.

The urgency of this situation cannot wait until your next regularly scheduled Board meeting. I urge you to immediately convene a telephonic board meeting to move all necessary actions by unanimous consent. As articulated by the President in the National Strategy to Secure 5G, the United States must work with like-minded countries to lead the responsible international development and deployment of 5G technology and promote the availability of secure and reliable equipment and services in the market.

EXIM has a critical role to play in providing commensurate financing necessary to compete with PRC-supported vendors and support trusted vendors from like-minded countries that share our fundamental values. EXIM's role will support our economic and national security among U.S. businesses whose innovations will be exported around the world, both embedded directly into 5G systems and riding on top of a platform that will deliver trillions of dollars in economic gains.

Crucially and in that vein with the support of its U.S. government interagency partners, EXIM should immediately act to ensure its U.S. content policy, accounting for profits and use of high days, enable EXIM to ensure trusted vendors can consistently and effectively compete with state subsidies enjoyed by high risk competitors.

Consistent with its mission to support American jobs by facilitating U.S. exports, it is imperative EXIM's Board of Directors immediately update its internal policies to address current market dynamics and U.S. economic and national security interests and EXIM provide financing support by no later than the end of FY2020 for 5G transactions and other transformational export technologies key to U.S.

long-term prosperity and security.

We do not face this challenge alone. As such, I ask that you also work with your export credit agency counterparts and allied countries and like-minded nations around the world to meet this challenge with great courage as our response will have historic implications on the freedoms we hold dear.

Chairman Reed, thank you for your service and leadership at EXIM in support of our nation's economic and national security, U.S. jobs and prosperity, and U.S. business success in the competitive global marketplace while also protecting the American taxpayer. Sincerely, Michael R. Pompeo, Secretary of State.

I also would like to note that just published this morning in The Hill newspaper online is an op-ed that I did with Senator Kevin Cramer of North Dakota. It is entitled, One year after reauthorization, EXIM is helping Americans work and keep China at Bay. So I'd really like to point everyone to this as well. And I really want to thank Senator Cramer for his support and encouragement in developing our Program on China and Transformational Exports.

And I would say that we spent a very important time together out in North Dakota with

also Senator John Hoeven where we met great American workers and supply chains and we are all about jobs, but also protecting our nation's national and economic security as outlined and as Congress has mandated for us to do in our reauthorization.

I also would like to note that, over the past two days, I was part of our annual meeting of G7 countries. And you will see that press release coming out in short order. But I know that we likely have our PRC counterparts listening in to what I'm about to say. So I will say that our G7 countries are very mindful of what the PRC and the Chinese Communist Party are doing around the world. And I

also want to say that I also raised this because of Secretary Pompeo's directive to me in the letter from August that I just shared with you.

So with that, in a good spirit of collaboration with my fellow board members who I want to thank immensely for all we've done since being confirmed on May 8th in reopening our agency on May 9th after a four-year closure. I would like to say thank you to you and do you have any comments, Director Pryor?

Director Pryor: Thank you, Chairman Reed and thank you to the team, Mssrs. McCormack, Cruse, Trulio, and Lindberg for a very thorough briefing and summary of the activities that have been undertaken to this point. I appreciate the dialogue also that we've had over the last several weeks. And I'm very appreciative of the time and effort that each of you has put into responding to my questions.

I'd like to also note that it's the collective efforts of the agency to which I'm most appreciative for accommodating the realities of American industry today. You know, I too started hearing concerns about EXIM's content policy during my many days as a nominee. In fact, Chairman Reed and I spent many hours together going to the Hill as nominees and talking with members of Congress and industry representatives. And this item came up more than anything else. So I was hopeful that we could address those concerns once we were sworn in, and that was about a year and a half ago.

So while I'm supportive of reviewing our content policy in order to better fulfill our mission supporting U.S. jobs through export, I am reminded that today's policy vote is to specifically address Section 402 of our charter. A new provision that requires EXIM to, and I quote, establish a program on China and Transformational Exports to support the extension of loans, guarantees, and insurance at rates and on terms and other conditions to the

extent practicable that are fully competitive with rates, terms, and other conditions established by the People's Republic of China.

It goes on to talk about neutralizing export subsidies for goods and services financed by official export credit and instructs us to advance the comparative leadership of the U.S. with respect to China in a number of areas. Then it lists ten categories, which Mr. Trulio has itemized here today from 5G to renewable energy.

On financing, it says, it shall be a goal of the bank to reserve not less than 20 percent of our aggregate authority. That's roughly \$27 billion. I sought further interpretation from legal counsel, which confirmed this is a very specific mandate. Not simply encouragement from Congress to effect change and it sets deadlines for reporting to Congress four years from enactment and a sunset date, which is December 31st, 2026 or the day our authorization would be set to expire.

I don't want to lose sight of select sectors this provision is meant to address. And I will admit that it's happened a few times over the past three days of conversation. So I'm going to take a step back and share some of my concerns about how this policy came together and what it looks like.

So on process, first and foremost, I am confident the process followed to get to today's meeting is not -- should not set a precedent for how EXIM will approach future policy changes. And I expect that on future policy changes, we will revert to the process that has been carried out in the past for those policy changes such as interdivisional bank working groups that incorporate impacted divisions and solicit the meaningful, timely feedback of diverse outside stakeholders and experts.

I'm concerned that in this instance, stakeholders and experts were given limited opportunity to engage on the specific policies being considered. The summer's outreach initiative to industry was a

vast undertaking that generated a lot of helpful anecdotal support that encouraged changes to our content policy for those sectors. And it was summarized here earlier today. But anecdotal evidence is hard to quantify and those calls were not billed as review of EXIM's content policy. A good follow-up might have been to ask the 1100 or so participants if they could share some specific information about their current procurement practices and the percentage of U.S. content involved. That aggregated data could have been quite helpful.

On December 2nd, there was a meeting of EXIM's Advisory Committee. From the get-go, those members were placed at a disadvantage. They were unable to provide meaningful feedback or fully formed views in response to a draft letter proposed during the meeting that addressed the best way forward regarding China and the Transformational Exports Program. And I am concerned the views of dissenting stakeholders were not afforded due consideration, including the request for supporting data to justify the 20 to 30 percent recommendation the Advisory Committee eventually made to this Board.

Finally, the Federal Register post provided no specifics and simply requested feedback from stakeholders, which would have been appropriate had it been posted six months ago, not through a comment window closing days before a Board vote, which generated over 100 pages of commentary. Unfortunately many of the comments received good points or alternatives and Jim Cruse has summarized some of those. And you know, they provided these alternatives or issues for what we're voting on today. But really, there was very little time for me as a board member to understand why these suggestions were unworkable, nor was there time for me to reach out to some of these stakeholders to discuss their concerns or their support.

EXIM's current content policy was devised in 1987 with input from both industry and labor. There have been several adjustments since including calculation adjustments based on aggregation of materials, direct and indirect costs for short-term, and adjustments for intellectual property. But this was the most substantial revision to this policy in over 30 years. And it's not clear to me that the prior work, concept, or expertise of EXIM staff who have worked on this policy in the past were adequately consulted or reviewed.

Engagement with board members has been lacking as well. I understand that several of our U.S. government counterparts had the opportunity to weigh in extensively on the contours of this proposal. And I also understand that interagency process took at least four months. Yet the Board received a memorandum for consideration on December 3rd and continued receiving public comments, as I mentioned previously, until just a few short days ago. While interagency feedback is important, it is equally important to keep EXIM's unique mission top of mind. And that is to support U.S. jobs by facilitating exports. A mission unique both within the U.S. government and perhaps across the export credit agency landscape.

I'm also troubled by the timing of this vote given that a new administration starts in just 34 days. Should the U.S. be going it alone? I think not. Working with our allies will be critical to our success, as Secretary Pompeo mentioned in the letter of support he shared with EXIM. To close out my comments on process once again, I am confident that future policy proposals will be brought to the Board without these kinds of flagrant process missteps.

Now policy concerns. No policy is perfect, so I'd like to highlight just a couple of areas where I have some outstanding policy questions about the proposal as drafted. I'm sure when EXIM drafted its content requirements in 1987 from 100 percent and

90 percent per median term down to 85 percent, the policy change was contentious, which may be part of the reason why it hasn't been updated in a comprehensive fashion since then. But at the time, the Board approved modest decreases in U.S. content requirement to address the realities of the marketplace while also incorporating feedback from stakeholders through a robust process that included Advisory Committee members from opposing viewpoints.

As written, today's proposal would reduce EXIM's U.S. content requirement for these specific sectors an additional 34 percent under these specific circumstances, but with limited justification and many unanswered questions about implementation. This could well be the most meaningful policy change in modern EXIM's history. And it is my opinion that the Board is being asked to take a decision without the data, the research, or the expert input to back it up.

Our competitiveness report does a good job of laying out the content question, including reporting that consistently shows EXIM's content requirements are indeed a roadblock to financing and it lays out the differences in approach across the export credit agency landscape. And as I've said before and on the record, EXIM's competitiveness report is one of the most useful documents produced by this Agency. It's clear outline of the differences amongst ECA players continues to be a must-read for me, members of Congress, other U.S. government agencies and stakeholders both here and abroad.

An interview cited in the competitiveness report, some of which also mentioned other policy roadblocks like shipping requirements or processing times need to be supplemented with some industry-specific numbers. I've asked for additional data and research to back up the decision to decrease our content threshold in order to best address the China and Transformational Exports mandate that was

included in our reauthorization bill last year. Unfortunately what has been provided thus far, still leaves me asking the question, How did we arrive at a 51 percent content threshold for this program? So despite these concerns, I still agree that EXIM's content policy warrants a fresh look in order to address the China and Transformational Exports mandate.

And therefore, Madam Chairman, I would like to make a motion to consider an amendment to the content policy, which was provided to my fellow Board Directors this morning by the Assistant Corporate Secretary, Joyce Stone. The amendment reads as follows: Part A, the recommendation of the memorandum contained in Section 4 thereof be amended to read in its entirety as follows. The staff recommends that the Board approve the principles set forth in Section 2 above effective for the duration of the program, currently expected to expire on December 31st, 2026, and authorize and direct staff to develop a detailed implementation framework and criteria to operationalize such principles by March 31st, 2021 based on the scope of work set forth in Attachment B.

The staff further recommends that EXIM conduct an annual review of the impacts and results of the changes as implemented by the framework and submit a report of its findings to the Board on an annual basis, and that it solicit public feedback through a Federal Register notice thereon and issue a public report on this topic by December 31st, 2023.

Part B, the memorandum be amended to add at the end, thereof the following attachments. Attachment B reads: EXIM shall establish an internal working group to develop a detailed implementation framework and criteria to operationalize the principles set forth in the above memorandum. Such working group to be Chaired by the Office of Policy Analysis and International Relations and to also include staff and representatives from across the

Agency, including the Offices of the General Counsel, Small Business, Board Authorized Finance, the program on China and Transformational Exports, and other offices as appropriate.

The scope of this working group shall include without limitation, one, collection of additional data and research on the proposed content threshold, in addition to alternatives thresholds in each of the ten established transformational export sectors including existing U.S. manufacturing footprints and job estimates. Two, a review of alternative methods for providing content flexibility such as origin requirements, modified definitions, waivers for goods not procurable in the U.S., or transformation of foreign content and the U.S. content. Three, solicitation of input from key external stakeholders including, but not limited to labor and civil society.

No later than April 30th, 2021, the working group shall prepare and transmit to each of the Board, the Advisory Committee, the Senate Committee on Banking, Housing, and Urban Affairs, and the House Committee on Financial Services, a report of its findings and conclusions including: one, justification for the proposed content threshold backed by industry-specific data to the extent practicable. Two, an updated clarified content policy implementation framework to include without limitation, (a) the offices or divisions responsible for policy implementation and tracking, (b) additional specifics on the ineligibility of Chinese content with the focus on transships or component goods.

(C), details on the proposed, more favorable terms for greater U.S. content including how those terms are to be established, (d) details on the prerequisite for exporters to submit a plan to substantially increase U.S. jobs such as who will review, when it will be reviewed, and what standard it will be reviewed on.

(E), Definitions and criteria for the factors that allow for exceptions to the general policy, (f) a training

outreach and implementation schedule to ensure updated policies are shared with stakeholders and that EXIM staff are applying updated policies consistently across the agency. And last (g), details of an expedited, pre-clearance process for the Board to confirm the eligibility of individual transactions for consideration under the clarified content policy implementation framework.

To this amendment, may I have a second? Director Bachus, would you consider seconding my motion?

Director Bachus: I second the motion and I gladly do so.

Director Pryor: Thank you. Chairman Reed?

Chairman Reed: Thank you very much, Director -- Thank you very much, Director Pryor. Thank you very much, Director Bachus. Director Bachus, do you have any comments?

Director Bachus: Yes, I do. Let me say, there's nothing more important to me than EXIM's mission to support American jobs by facilitating U.S. exports. And I believe that the spirit of today's actions seeks to support that mandate, particularly I see value in the amendment. Last December as we know, Congress gave EXIM a new mandate and that was to neutralize Chinese financing by standing up a program on China and transformational exports. Now having been in Congress, I take that intent seriously. We're under a mandate to consider these ten specific transformational export categories.

Now about two weeks ago, the Advisory Committee made a proposal to us, recommending our content be dropped to 20 to 30 percent. I immediately felt like this was too drastic a change from our historic medium and long-term policy. So I immediately began working with others who agreed. And I know Director Pryor and I were both alarmed.

The rationale for the 20 to 30 percent number, it comes from our foreign competitors who have

consistently dropped lower and lower their content requirements in recent years with many, such as the U.K. and South Korea, landing in the 20 to 30 percent range. That's actually pretty normal for our competition.

But I want to make clear, I don't support a race to the bottom. I do support a level playing field, particularly in these transformational exports. The whole intent of what Congress did is that the ability of China to really take over and dominate these transformational categories is both an economic and a national security concern.

And we've been asked by them to -- and let me actually look at Section 402. The purpose is to compete with China directly and support specific sectors, which would block them from attaining global economic dominance. In other words, Section 402 aims to stop China from embedding its technologies and exports around the world, thereby minimizing worldwide dependence on China, which is vital for our economic and national security.

I want to close by saying I think a lot has been covered. But I do want to say a very important thing -- something that hasn't been mentioned in today's discussion that I think is very important. That, inserted in the proposal to encourage job growth here in the United States, is a requirement that exporters develop a reshoring plan for parts of their supply chains as a contingency for further EXIM financing. This is a critical component of the policy and provides a counterbalance to any perceived incentive to offshore jobs. And I'm glad that it's included in the final version.

Let me close by saying, under this amendment, we will be -- not in three years -- but we will be within just a matter of two or three months, we will be consulting with the two committees of jurisdiction. And I believe with the amendment, I know I can support the action we're taking today. So again, I want to commend Judith for some very hard work

over the past few days. So that's about it.

The only other thing I would say is I'm glad that Chairman -- I'm glad you read the support from the Department of Treasury, Commerce spoke and State Department's support of what we're doing here today. But I think it's also essential to stress that the Department of Treasury has weighed in, in support of what we're doing today. So thank you very much.

Chairman Reed: Thank you very much, Director Bachus and I appreciate both your and Director Pryor's comments and collaboration. I now call this amendment for a vote. Director Pryor?

Director Pryor: I vote aye.

Chairman Reed: Director Bachus?

Director Bachus: I vote aye.

Chairman Reed: I vote aye. The amendment is approved. Do my fellow board members have any additional comments before we vote on the policy as amended?

Director Bachus: I have no comments.

Director Pryor: I have no additional comments.

Chairman Reed: Okay. Director Bachus, do you have any additional comments?

Director Bachus: No. I have no additional comments.

Chairman Reed: Okay. Well, I just want to say thank you very, very much. This is a very important thing as we've worked so hard. We're almost at the year anniversary of the signing of the historic, longest-ever reauthorization in EXIM's 86 year history, which took place on December 20th of last year. And I want to thank our team. We immediately formed working groups to go through every component of the legislation. Too many staff

to name by name on that. But I want to very much give a very special thank you to our Leg. Affairs team for doing all you did to ensure that our Agency was tasked with going through each of the components of the legislation.

I'm a former committee counsel from Capitol Hill. And my very first job in the late nineties on Capitol Hill was working on the Education and Workforce Committee. And it's amazing how you've come full circle. I have here at my table right now, a report that I put together called Securing the Future of America's Working Families. And we evaluated the workplace of the late nineties going into the 21st century and we engaged with all sectors. And it was my job to put together the many roundtables and engage with labor, as well as with small and large businesses and ensure that we are doing all we can.

I come from rural West Virginia and I have now seen not only every corner of our country, but also the world. And I know and I've heard firsthand as I meet with heads of state and government all around the world, that we are the envy of the world when it comes to our high-quality goods and services. There's no one like us. And I'm so proud of what we do. And I know that it's been hard since we took our role here to reopen EXIM.

I want to thank President Trump for asking me to take on this charge. I didn't go looking for this, but I believe that you're asked to serve and you serve. And I have devoted myself since taking my oath on May 9th, to reopen this Agency after a four-year closure, reform our agency, and now in fact, transform our agency. And make sure that we are doing all we can to tell the world, please come back to the United States to buy made in the USA goods and services and use EXIM if you need us.

We are about protecting the taxpayer, but Congress has given us this mandate to do what we do. And I can tell you through my discussions with my G7 colleagues, with my G12 colleagues, with now I just

discovered the 116th export credit agency when I was in Bahrain for the Manama Dialogue two weeks ago. So we now have 116 export agencies. And while we were away for four years, a lot happened. And the world is very competitive, very aggressive. And we know that the People's Republic of China has engaged in debt-trap diplomacy all around the world.

We have a very special mandate that Directory Pryor and I hold dear of supporting Sub-Saharan Africa. And that's important to Congress, as well as Chairwoman Maxine Waters. And we know what China is doing in Africa. And I also want to thank our Sub-Saharan Africa Advisory Committee Chair, Dan Rundy of CSIS for helping us know what's going on there. And so as we're back, not only do we need to raise awareness, we need to give certainty to the world.

Can you imagine working with a financial institution that's closed, opened, closed, open, unpredictable, needs to be reformed, needs to be transformed, needs to be reauthorized? The rest of the world doesn't work that way. But we care what Congress says. We are accountable to Congress. We have a job to do, and they gave us that direction in a very strong way. The President of the United States came out last year asking that EXIM be reauthorized for ten years, and Congress came back with seven years, the longest tenure in EXIMs history.

And not only the foreign purchasers or prospective foreign purchasers who are engaging with the export credit agencies around the world as they decide do they want to American, Chinese, or other countries goods and services? They said to us, we need certainty because sometimes these applications in the due diligences and the processes to secure financing to even present a deal to our Board for consideration takes months, if not years. And so that seven-year reauthorization gave the world certainty about us.

And then I would say, we've worked hard as a Republican Chair -- first woman Chair of this Agency and its history, I really care about free markets. And as I testified at my two confirmation hearings and to underscore Director Bachus, I don't want this to be a race to the bottom. We are here to level the playing field for our companies and workers. And I really want to say thank you to those in Congress who recognize how the world has changed when it comes to competition with China.

And I want to give a special thanks to the China House Task Force and their engagement with us. And even their support -- their report that came out, which came out this fall also asked that Congress be sure that we are properly reformed because this new directive on our program on China, which is a very ambitious goal, focusing at least 20 percent of our portfolio or \$27 billion to compete with China and neutralize China, advance Americas comparative leadership with respect to China and the world. That directive means a lot and we take it very seriously. But we do have to be given specific resources to do that because this mandate came after our appropriation bill came through.

So we've been doing this in a very strategic way within our current resources. And it has been a very thoughtful, but hard process. So I really want to say thank you to Mr. David Trulio who I recruited from the Pentagon to come over and help us stand up this new program. He has done so much. And I want to thank also Secretary Ross for allowing Mr. Brad McKinney to be detailed over from the Commerce Department to be our second staff who are focused on this effort, but it's hugely ambitious. And we needed to put it on a firm footing. So all of this was under way over the past year.

In the same time, we have addressed important other policy changes. And you can see those on our -- on our website. Our content policy is the fifth big policy that we have brought before this Board this

year. And I would say that I believe that we have done this over many months. Because as you know, we first took up economic impact and then additionality. And then we had COVID happen, so we had to immediately focus in on COVID relief.

And then we did something called PEFCO reform. Because the PEFCO program was going to expire and we had to make sure if we were going to continue on, that we address that in a responsible and timely manner. And then most recently, we just did a reach back -- long-term reach back and short-term local cost policy. So this is the sixth policy.

But we began this on December 21st after the bill was signed into law. And you have seen the building blocks for that over many months. And I want to say thank you to Luke Lindberg and the entire External Affairs Team for allowing us to have the opportunity for segments of the transformational export sector to be featured in public -- eight public meetings starting in May and concluding in September. We had 1100 participants.

And everyone including all of our Advisory Board members and our Sub-Saharan African Advisory Board members were invited, as was the public to participate in each of these. And you heard how Luke mentioned that the content policy was raised in each of these. And I read to you the letters from my interagency colleagues.

I also would like to point you to our website from when we had our annual conference, where we also heard from National Economic Advisor to the President, Larry Kudlow when he said EXIM is all about China, China, China. And our National Security Advisor, Robert O'Brien and other lead officials including Energy Secretary Brouillette. So we've been very focused on this. And at any time, we've had the opportunity to gauge on China, I have not only in the United States, but around the world we have.

In addition to Director Pryor, I want to thank

Director Bachus who has taken up the charge on small business. And we really care about that as well. We have something I'm so proud of called our All America Initiative. And we want to, absolutely make it in America. We want to retool and revitalize the backbone of American manufacturers to win the jobs of today and tomorrow. I am committed to that. And I know Director Bachus is and I know Director Pryor is.

And I thank you for this amendment because it will allow us to bring comfort that this content policy is a new policy for this program on China. And this policy is only good as long as the program exists, which is through 2026. So it is a temporary, narrow policy because Congress has asked us to do exports on very key initiatives like 5G.

And so this policy will allow us to do this versus 100 percent of nothing, which is where we are today before we take a Board vote. And as a former Hill staffer and as a lawyer, I had to ask my counsel, the law says you need to do this. How do we do this? And this policy change -- narrowly targeted policy change allows us to do this. But again, we are putting in additional steps.

And I would say every deal that comes before our Board has a Board vote. So it is up to the independence of each Director to vote on each deal. And because we were shut for four years, right now, we only have on our book \$46.1 billion as of October close. So we have the capacity to support \$88.9 billion more in exports. And so that's a lot. And so for labor and trust, please help us help America. And where EXIM is needed, let's get it going on all fronts. We do not pick winners and losers. We want to do what we can to make a difference for our country.

The President of the United States challenged me with taking this Agency to new heights. And I want to thank Directors Bachus and Pryor for helping us do this. My term comes to an end here on January

20th of next year by law and statute. And I'm so proud of what we have done. Many people said it would not be possible. I was discouraged from even taking this job. And we have done historic things.

So with that, I would like to call this item for a vote. Director Pryor?

Director Pryor: I vote aye.

Chairman Reed: Director Bachus?

Director Bachus: I vote aye.

Chairman Reed: I vote aye. Item No. 1 is approved. As there are no further items on the agenda, this meeting is adjourned. I want to say thank you, Merry Christmas, Happy Hanukkah, Happy Kwanzaa, Happy Holidays. And my love to everyone, especially to you, Director Bachus and your wife as you heal from COVID. But I want to say thank you to everyone, but especially to my two fellow Board members. Thank you very much.

(Whereupon, the above-entitled matter went off the record at 11:11 a.m.)