EXPORT-IMPORT BANK OF THE UNITED STATES

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JOINT EXIM ADVISORY AND SUB-SAHARAN AFRICA ADVISORY COMMITTEE MEETING

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WEDNESDAY
SEPTEMBER 11, 2019

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The Joint Advisory Committee Meeting convened in Room 1126, 811 Vermont Avenue, NW, Washington, DC, at 9:00 a.m., Stevan Pearce, Advisory Committee Chair, presiding.

BOARD MEMBERS
KIMBERLY A. REED, Chairman
SPENCER BACHUS, III, Director
JUDITH DELZOPPO PRYOR, Director

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GARY BLACK
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SUB-SAHARAN AFRICA ADVISORY COMMITTEE MEMBERS
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GARY BLUMENTHAL
MATTHEW KAVANAGH
KUSUM KAVIA
FLORIZELLE LISER
JAMES O'BRIEN
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PAUL SULLIVAN
JOHN WORKS

STAFF PRESENT
ANDREA BERNARDO, Assistant General Counsel
ROSS BRANSON, SVP, Office of Congressional and Intergovernmental Affairs
JIM BURROWS, SVP, Office of Small Business
JIM CRUSE, SVP, Office of Policy Analysis and International Relations
DAVID FOGEL, SVP and Chief of Staff
LAUREN FULLER, Senior Advisor to the Chairman
MARK KLEIN, Regional Director
STEPHEN RENNA, SVP and Chief Banking Officer
DAVID SENA, SVP, Office of Board Authorized Finance
DAVID SLADE, SVP and General Counsel
LISA TERRY, SVP and Chief Ethics Officer
JAMAL WARE, Senior Advisor on National Security
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AC CHAIR PEARCE: Thank you all for being here this morning. I am Steve Pearce, the chairman of the Advisory Committee for the EXIM Bank.

I would like to introduce Dan Runde who is the chairman of the Sub-Saharan Committee and so thank you, Dan, for being here.

Of course, Chairman Reed, thank you for convening this group and to each one of you all. I appreciate your participation.

I don't think we're at a more important time maybe in world history than right now.

And I think that you and I sit right at the intersection of a lot of the things that are playing out right now.

You see the U.S. influence is being tested everywhere.

As a congressional member I was able to travel to many countries around the globe,
multiple trips into Africa, probably 10 trips.

And the recurring theme was how come we aren't seeing the peace dividends here among the people who live in the countries, not the prosperity of the world but here. How come we're not seeing that.

I have some ideas on it. We'll discuss those as the year goes through.

But also when I went to India they said, you know, we made a decision right in 1947 as we were getting our independence.

And we just kind of tossed a coin and the U.S. wasn't too interested in us and we were trying to figure out what weapons systems we were going to use.

And the U.S. just kind of sat there and we chose Soviet weapons. And for the next 50 years the relationship between the largest democracy in the world and the Soviets was much closer than with the U.S.

Now, we could survive that decision at that point, but right now people are trying to
decide who is going to be there in their side
trying to bring prosperity to their country and
right now the Chinese are out investing in the
rest of the world in significant amounts.

Every country I've traveled to I saw
the presence of the Chinese economy, the Chinese
government.

And so know that what we are here to
do, the two subcommittees, the two committees,
are to advise and help the board determine which
ways to go.

What we decide today I think will play
out for two to three generations before any
change in that order exists.

So again, from my part thank you.
I've watched it up close. I'm ready to be
engaged in it.

Daniel, your opening comments if you
would?

SAAC CHAIR RUNDE: Thank you, Chairman
Pryor and Bachus. I'm really grateful for all of
you for taking time.

I think the point of the Sub-Saharan
Africa Committee ought to be to help EXIM be even
better in Africa.

Two of the three transactions in front
of the EXIM Board are in Africa. This says to me
that Africa is an enormous part of EXIM's future.

And frankly, Africa is an enormous
part of America's future. I think part of our
role ought to be in partnership with the EXIM
Bank is to help America see Africa as a business
opportunity.

It's an enormous -- it's going to be
the greatest business opportunity of the next 30
years and we need to take it.

And frankly, Africa has got other
options today. If we don't show up, if we're not
present they've got other options.

They've got a lot of agency and
they've got a lot of other options. And I think
we all know what I'm talking about, right?

So, my only goal -- one of my goals
for this meeting today is to help encourage and
to organize working with Chair Reed and others
perhaps a trip sometime in the next six months of
members of the EXIM Bank Board to Africa on a
business trip.

That would be -- my sole goal of this
meeting will be that. So I have other goals, but
that's the one I hope we can achieve.

That's all I have. Thank you.

AC CHAIR PEARCE: At this time I'd
like to recognize Chairman Reed to make
introductions of her staff and the key members
that are here today from the board.

CHAIRMAN REED: Thank you, Chairman
Pearce. Thank you, Chairman Runde.

Yes, delighted to be with you just
four months after we took our oaths to serve our
country and reopen the Export-Import Bank after
nearly four and a half years of closure due to a
lack of a board quorum.

During that four and a half year time
period, however, we really focused on small
business.

And I just was speaking upstairs. We have our colleagues from the field joining us today for their own staff briefing on what we're doing when it comes to small business.

And so that continued on for the past four and a half years.

But on May 9 thanks to President Trump we were able to be sworn in and reopen our doors fully to what we do here so well which is supporting U.S. jobs through exports. And we're going to do even more.

But it is going to take the United States Congress to reauthorize us.

We expire at the end of the month in legislation. And so yesterday I was up on the Hill meeting with five different members. I will leave this meeting promptly to go meet with Chairman Crapo of the Banking Committee.

I've testified three times before the Banking Committee over the past two and a half years. And we will continue a lot of outreach
and discussions.

Our staff have a particular role when it comes to our bank and you have a very important role mandated by Congress.

And I want to thank each of you for taking time out of your schedules today to be with us.

I know that the advisory committee is required by law to meet four times a year. The Sub-Saharan Africa Committee is required to meet twice a year.

And it was my priority, and I want to thank our two directors, Spencer Bachus and Judith Pryor, for seeing my wish that we convene both groups together as soon as we were confirmed, and that we could bring you here today.

We received over 90 applications. I spent a lot of time looking at each of your qualifications. And it was a hard choice, but I think that each of you bring a unique skill to help us not only be reauthorized, but also to
help us with the transformation of this agency going forward.

The only reason I'm sitting here today is because of President Trump. We were nominees for two and a half years and the President was not supportive of the bank during his campaign.

And after he won and was installed into office he met with business and business said we're losing. America is losing. Workers are losing.

And the President of the United States changed his position on the bank and decided that he wanted to have this bank fully open and operational.

And so I'm honored now to be with you as the first woman chair and the first West Virginian.

And thank you, Commissioner Black from Georgia. Agriculture is very important to me.

But I want to say I'm sitting here today and we're sitting here because of the President's personal intervention several times
over his tenure in office.

So, if you see him, if you spend time with him please tell him thank you. He needs to hear this because there are a lot of complicated dynamics that we'll hear about and we want to be respectful of those dynamics.

And so you'll be hearing some presentations on transformations that we're doing here within the bank.

But we also want to be sure that we're protecting the United States taxpayer. And I am absolutely committed to that.

So with that I would like to just briefly ask -- you'll meet our staff during their presentations, but we have a very, very, very tight time frame.

And so I'm committed to helping these two guys keep on agenda. And for the staff in the room I'm going to ask you, you may see that you have 10 minutes to speak.

But I think it's more important that you speak less than that --
(Laughter)

CHAIRMEN REED: And you allow this board, these boards together jointly and then individually to be able to have dialogue and have a discussion because they're the ones whose input we are seeking today.

But I'm so delighted that we have two fellow board members. We also -- with us today we also have two nominees still at the final stage of the Senate confirmation process.

And just yesterday it was announced by the White House the intent to nominate an inspector general for us. So that individual will be making his way through the confirmation process.

But I would like to briefly turn it over to two great colleagues who have worked so hard on different objectives since we've come in over the past four months.

So first, Spencer Bachus.

DIRECTOR BACHUS: Thank you, Chairman Reed. I want to sincerely thank each and every
one of you for your willingness to serve our
country.

This meeting is an important milestone
in EXIM becoming fully operational. And I think
most of us agree that that's something that is in
the best interest of our country, but also in the
countries we export to.

Steve, I call him Steve, we served
together in Congress on Financial Services. He
said that -- talked about China.

These countries want to trade with us.
We're their preferred partners. They don't
always trust other countries. They trust us.

Over the past few months I've traveled
and met with many of our small business
exporters.

Each has a unique story. It says
brief remarks. I won't go into any of them. But
they're all different.

But the common denominator is that
EXIM is an important part of their export
strategy.
And they all say to me the same thing.

I can't believe they would shut down EXIM, a bank that made $15 billion for the taxpayers since 2000.

And I can't believe that they would take that away from us as a tool in our ability to trade.

So again, I look forward to hearing from each and every one of you. And thank you for your attendance this morning.

DIRECTOR PRYOR: I just want to add my thanks to all of you, to Chairman Reed and Chairman Bachus.

It's been a pleasure working with them so far. It's only been four months, but I'm really looking forward to the next few years.

So thank you in advance for all that you're about to do to help us as members of the Leadership Advisory Committee as well as Sub-Saharan Africa.

I'll be responsible for the African continent and the Middle East so I very much look
forward to working with Chairman Runde and the rest of the team.

I've had the good fortune of working with Dan during my tenure at OPIC for six and a half years where we worked on the Power Africa initiative during the Obama administration and managed to grow our financial investments on the continent by 250 percent.

So I think we can do a lot of good here at EXIM. And I'm really, really looking forward to working with all of you to that end.

So thank you for being here.

AC CHAIR PEARCE: Thank you all.

Chairman, he said we served together. That's not exactly true. He was the chairman of the committee and I wasn't.

(Laughter)

AC CHAIR PEARCE: If you don't understand that completely, I was in Roswell, New Mexico once and I was always invited to church and so I was at church that morning.

But I was going to have to leave.
Always if I went to a church I didn't go for the photo op, I would go for the whole thing.

            And so they had asked me to speak just briefly about being in Congress and being there at church.

            And then I had to tell them I've got to leave. The chairman is coming to Carlsbad to look at a dam that just almost gave way and a flood a couple of weeks before.

            And so I told the congregation, I said -- there was probably 500 people. I said you know, I never leave churches but I'm going to leave this one today.

            You're going to see me finish talking. I'm going to walk right out the aisle, I'm going to walk to the back and I'm walking out the door.

            And you will wonder what's more important than God. And I said well, there's nothing more important than God, but I've got a chairman to come into Carlsbad, New Mexico and I must be there with him because I represent that area.
And you're going to wonder is the chairman more important than God. And I said I will tell you no, he's not. But I'm not going to be the one to tell him he's not.

(Laughter)

AC CHAIR PEARCE: Chairman, thank you very much.

DIRECTOR BACHUS: Should have stayed in church.

AC CHAIR PEARCE: This is a moment that deserves great silence from us, 9/11.

I was just arriving in Paris, France on a personal trip on 9/11 and got to see from an outside point of view the fragility of the world political and the world economic system as we -- that's when TWA, we were on TWA flying in.

And of course that's when they ceased operations if you will recall. And so not only were we facing fitting into a system that was overburdened with people who had canceled flights and the whole system had shut down, but also our airline had canceled and so we were having to
feed into the American Airlines system.

And you understand at those points
that the blessings that this world has
economically are not something that we can take
for granted.

And so I want us to take just a moment
of silence in remembering the sacrifices of so
many on 9/11.

(Moment of silence)

AC CHAIR PEARCE: Thank you all for
that.

Lisa Terry who's a senior vice
president and chief ethics officer at EXIM and
David Slade are going to come up and make a
presentation at this point. Is Lisa here? Okay.

MS. TERRY: Thank you, Chairman Pearce
and Chairman Runde. Good morning. Welcome and
congratulations on your appointment.

My name is Lisa Terry and I serve as
the bank's chief ethics officer.

Before I begin my slide presentation
-- which will be less than 10 minutes I promise --
- I would like for you to know that the chairman, Chairman Reed, the board, senior management place a great importance on ethics at the bank and expect the highest ethical standards of themselves, our employees and now of you as well.

So we appreciate your attention to ethics during your service.

So, your status as an advisory committee member. You should know that members of the advisory committee are not employees of the United States government.

Therefore you are not subject to the broader ethics rules that apply to government employees.

This means that, for example, you are not required to file financial disclosure statements and you're not limited in the types of assets you may own.

You are, however, in a position of public trust. Advisory committee members must avoid any actions that are either unethical, or appear to be unethical.
So when acting in your personal or professional capacity you should not use your position on the advisory committee for private gain either for yourself or for others.

More specifically, you should not take advantage of any non-public information you may learn as an advisory committee member.

Therefore if you learn, for example, that a company is about to receive EXIM financing for a substantial export contract that will double its revenues you may not disclose that information to others or use it for your advantage.

You also should not use your position on the advisory committee to induce another to provide a benefit to you or to another.

Therefore, if someone you know has an application pending with EXIM you may not use your position on the advisory committee to gain special access for that individual.

So you may not identify yourself as an advisory committee member and request expedited
processing for any pending applications.

You may, however, make use of any processes available to the public in the ordinary course of business.

Finally, you should not use your position on the advisory committee in a manner that could imply that EXIM Bank sanctions or endorses a particular private entity's business.

If a commercial banker, for example, you know is promoting an innovative trade finance initiative the banker may use your name, but not your EXIM title in his or her marketing materials.

Those are just a few ways that we would like for you to keep ethics top of mind during your service.

And if you have any questions please do not hesitate to contact me. My contact information is here. You can call me directly and you can also contact our deputy chief ethics officer Lance Matthews who is also here today.

That's all I have. Thank you. And
I'd like to turn it over to David Slade for an overview on the FACA and the Sunshine Act.

MR. SLADE: Thank you, Lisa. Welcome to you all.

This morning I'm going to give you just a quick summary of the Sunshine Act and FACA which I'll give you the full name of in a moment.

So, first to explain that because you are two committees, the Bank Advisory Committee and the Sub-Saharan Africa Advisory Committee which we informally refer to as our SAAC, are both created pursuant to the charter of a federal agency, namely our beloved EXIM.

You are governed by something called the Federal Advisory Committee Act, or FACA.

And therefore also you must comply with the Sunshine Act which means that every portion of every meeting of your committees must be open to public observation which in turn means that every meeting that you have will be notified in the Federal Register so that the public will have the opportunity to attend, to make
statements and to make public comments.

But it's important to note that this only applies to any meeting when a quorum is present and when deliberations result in the joint conduct or disposition of EXIM business.

So, you may ask what's a quorum. A quorum consists of a simple majority of your committee's members which means in the case of the Bank Advisory Committee that whenever 9 of you are present since there are 17 of you appointed to that committee. And in the case of the SAAC whenever 6 of you are present since there are 11 appointed to your committee that you have a quorum.

And one thing to note, by the way, is that therefore whenever your subcommittees meet it's unlikely that the Sunshine Act will apply because by definition subcommittees are usually smaller groups to get their business done and you're probably not going to have a quorum. Just something to note.

You might also ask what's a meeting.
And the point here is that a meeting does not require that you all by physically present.

A meeting can also include a telephone conference, or an email exchange. And we're not really equipped yet to invite the public to telephone conferences or email exchanges.

So we ask that whenever you conduct business pursuant to a phone call or an email exchange where you may have a quorum online that you, for example, not communicate with each other.

And if you do, for example, receive in that sort of quorum. And if you do receive, for example, a group email from your chairman do not reply all.

So, one last thing. There are exceptions to the requirement that you hold open meetings. And there are actually 10 of them listed in the Sunshine Act. Of those it's only ever likely that three of them might apply and that's when you -- if ever you might be presented with classified information, when you may be
discussing internal personnel rules or practices of EXIM Bank, or trade secrets and confidential business information or financial information.

And of those three, the one that is most likely if ever to occur would be the last one. And even that one is more likely to be relevant to board meetings than your meetings.

So bottom line is there's unlikely to be many exceptions and my advice to you all would be to be beautiful because the Sunshine Act is likely to illuminate everything that you do.

And with that we will turn the floor back to the chairman.

AC CHAIR PEARCE: Thank you very much. Appreciate your all's presentation.

Steve Renna is the senior vice president and chief banking officer at EXIM. He's going to make a presentation on the programs at this point.

MR. RENNA: Thank you, Chairman Pearce, Chairman Reed, Chairman Runde. It's great to be here again.
My name is Steve Renna. I'm the chief banking officer here at the EXIM Bank. And essentially my responsibility includes all the lending programs that EXIM Bank has.

I'm going to talk just very briefly about those in a moment because we're going to have two of our senior vice presidents who are specifically running the operations of the bank program speak to you.

But I do want to mention I'm in my fourth week here as chief banking officer and prior to that I spent two years as the executive director of the Advocacy Center at Commerce.

And the reason I mention that, it's very closely aligned what I did there with what the EXIM Bank does.

The Advocacy Center at Commerce assists U.S. companies that are bidding on foreign government contracts through government to government communications. So basically advocate on behalf of the U.S. bidder.

Our mission focus is U.S. export
content as it is here at the EXIM Bank.

So in the process of that Secretary

Ross who is very engaged as the lead Commerce

official involved with advocating for U.S.

countries around the world and also Secretary

Ross is an ex officio member of EXIM so I wanted
to make this point of this close nexus.

In the tenure that I had at the EXIM

Bank I was very involved particularly in sub-

Saharan Africa. Paul Sullivan and I were on the

President's Advisory Commission on Doing Business

in Africa trip that was last summer to four

countries there.

Very closely engaged in Prosper

Africa. And the bank's largest deal that it has

approved so far to date in its history, will

approve likely at the end of this month is the

LNG project in Mozambique that's being developed

which was a project that the Advocacy Center also

advocated on through Secretary Ross and others.

So I just wanted to give you that

context because in the course of doing that job
at the Commerce Department what was quite abundantly clear to everyone at Commerce and all businesses that such a key missing element to our export initiative as the United States government was the EXIM Bank.

It was so essential to be able to compete in countries around the world, but specifically in Africa.

Chairman Pearce, as you mentioned, so many foreign government officials said where is the financing. We need financing from U.S. companies and EXIM Bank was not able to participate other than on small business type of lending facilities.

With that I do want to just give you a very brief overview of the structure of EXIM's banking programs. It basically falls into three categories.

The first is our short-term lending program which is focused primarily on small business.

Next is our medium and long-term
financing.

Then the third part of that and very important is also our asset management and our credit review.

The short-term lending program which is run by Jim Burrows who will be up here shortly to elaborate on that has basically two key programs in it that work for small businesses.

One is working capital loans for small business exporters and export credit insurance for accounts receivable. So the small businesses that have accounts receivable from foreign buyers can get EXIM support so they can pledge those accounts receivable for lines of credit from the bank and give themselves more liquidity.

Both these programs are executed not only through our Small Business Division, but through a network of brokers and lenders.

After that we have our medium and long-term financing programs and we'll have David Sena who's the senior vice president for our Office of Bank Approved Finance, he's going to
elaborate on that.

But just generally within that structure of programs we have loan guarantees that we provide to private sector lenders that help international buyers secure competitive financing.

So as international buyers obviously don't have creditworthiness in the private capital markets in order to get reasonable terms in which to borrow and EXIM loan guarantees provide that creditworthiness to the borrower so they can borrow at more competitive rates and thus purchase the exports that U.S. exporters are selling around the world.

In sort of our medium-term space, anything from up to about seven years in term we have a delegated authority for approved lenders to execute lending programs within that space.

Also we have credit guarantee facilities, basically lines of credit that we provide and project finance.

So if there's a major development
project in a particular country, whether it's in the oil and gas sector, or the energy sector, or transportation sector, we can provide direct loans along with sponsors and perhaps other export credit agencies, other groups of lenders to provide direct loans to the development of those projects, many of them obviously in the infrastructure space.

We also have a structured finance program whereby it's kind of a hybrid between lending on the creditworthiness of the borrower, but also some enhanced credit perhaps from a project or from some other sources.

And then finally, while it's not a lending program per se we have executed on a pilot program in the reinsurance area.

I think it's important to mention that because engaging with the reinsurance industry we are able to help manage our U.S. export content requirements that we have within our rules for companies as well as smoothing out our portfolio risk so we don't get too much of a concentration
in one particular sector or one particular type of company. It's something that David Sena will talk about that we're looking to expand upon that pilot program and help the bank's functionality with respect to that.

Finally, as I mentioned asset management. That is the backbone of the bank. It provides our underwriting support, engineering, environmental analysis, credit disbursement, asset monitoring and of course execution of our credit remedies.

And there are times that we have to do that. Fortunately our default rate is low and we make very sound loans, but there's always that time in any kind of bank that you have to execute credit remedies.

So with that, Mr. Chairman, I'm going to invite Jim Burrows, the senior vice president for small business, to come in and take you in more details through our small business programs.

MR. BURROWS: Good morning. Thank you, Steve. My name is Jim Burrows. I am the
We have roughly 78 hard-working staffers here at EXIM dedicated to small business here in headquarters and at our field offices.

For Fiscal Year 2019 through July 2019 we have authorized 1,665 small business transactions for about $1.65 billion.

Since Chairman Reed was sworn in on May 9 and through the close of business yesterday, September 10, the agency has authorized roughly 680 small business transactions for $722 million. So thank you, Chairman.

Thank you for the opportunity today. I'm going to take you through the small business group and what it looks like and some of the things that we're doing.

First I thought it's important to quickly share with you how EXIM defines small business.

The EXIM charter directs the agency to
follow section 3(a) of the Small Business Act
which in short means we follow the Small Business
Administration's established size standard by
industry sectors.

The SBA uses the North American
Industry Classification Code System, NAICS.

A good example is 500 employees
promotes manufacturing and mining, and $7 million
in average annual receipts for most non-
manufacturing industries.

The Office of Small Business has three
main operating objectives. We ensure our
products meet client needs.

The agency is always looking for ways
to improve our existing products and identify
gaps in the private sector where EXIM can stand
in.

With that being said and part of the
bank's commitment to change management we have
established a tiger team to review existing
products and programs and identify opportunities
to assist American small businesses.
The agency is continuously looking for ways to find new clients through better data sources, leveraging our multiplier networks.

The Department of Commerce is a strong partner of EXIM. We work collaboratively with them in developing a realtime exchange program through our Salesforce CRM system.

So we're constantly data sharing our clients to be exactly where they need when they need us. So we're an effective tool in the trade toolbox.

And then lastly, we strive for the best transaction experience for our clients. Better technology, meeting or beating client expectation.

The agency is currently working to deploy a virtual data room, we call it a VDR, for electronic exchange of documents with our delegated authority lenders, through our working capital guarantee program.

The VDR will eliminate paper exchange between our delegated authority lenders in our
working capital guarantee program and speed up processing time.

This is a quick snapshot of the organizational chart of the Office of Small Business. It's small so I'm going to go right into the meat of it, of what we do.

First, we have a couple of different groups that we work with in Small Business.

The first is the export credit insurance group. This group is run by Amy Shinkman. They work with businesses and insurance brokers around the country to underwrite all of our short-term insurance programs.

Secondly, we have our business credit program. This is our delegated authority program that works on the working capital guarantee program. That program is run by Steve Freshour.

Then we have the minority and women owned business group. That's run by Tammy Maxwell. They provide hands on education and outreach to businesses owned by minority, women
and veterans.

Tammy also runs a new unit that we stood up this year called the client care unit. It was established as an outreach team to work with new and existing clients to make sure that they're fully utilizing their insurance policy here at EXIM.

Then we have the regional field offices. Those are peppered throughout the United States and I'll talk a little bit about that in a few minutes. That group is run by Sean Luke.

We work with businesses all over the country through those regional offices to educate customers about trade finance products and what's available to them.

And then lastly the operations group which is run by Tomeka Wray. That group manages the functions. So the call center, our contact center, our training and logistics.

Steve had mentioned earlier that there's two primary products that small
businesses use. They use the pre-export financing in the working capital guarantee program, and then they also use post exporting financing, the insurance and guarantee programs.

The strategic priority of the Office of Small Business is to build brand awareness for the bank through education and outreach.

And these are a few of the programs that we're working on to further that in this year and in the coming years.

We're doing more outreach in urban and rural areas. We're increasing our participation in trade events.

For Fiscal Year '19 we're on track to participate in close to 600 events throughout the U.S. and we want to do more next year.

We're building partnerships with state and local governments, expanding our footprint to reach even more American small businesses through the focus on the regional export promotion program and other programs at the local level.

We're increasing our interagency team
work on events and also data sharing like I had mentioned earlier.

We're going to step up and leverage data engagement, digital engagement working with our comms folks and inside the bank on our website, making it a better experience for our clients, social media, utilizing blogs, search engine optimization to make sure that we have the air cover for small businesses as they're looking and doing research on what are the best tools for them in trade finance.

And then we're also looking to improve and strengthen our relationships with our lenders and brokers through our multiplier networks.

I'm going to end with a slide on our -- the footprint of the U.S. and where our field offices are.

We have 12 field offices throughout the United States. Ten of those 12 offices are co-located with our trade partners in the United States Export Assistance Centers commonly known as the USEAC, managed by the Department of
Two of those offices where we're not co-located, currently Houston and Seattle, are because of space limitations in the USEAC.

However, we're in the building and we're always looking for an opportunity when there's space available to join the USEAC.

I'm going to turn the mike over to Mark Klein. Mark is one of our regional directors in the central area, in the middle part of the country.

He's responsible for covering Kansas, Missouri, Kentucky and Indiana.

And so with that, before I turn it over to him I'm happy to either take questions or I'll bring Mark up if there are none.

AC CHAIR PEARCE: If you could hold for the questions what I'd like to do is get all of the presentations out of the way and then we're going to go to a round of questions for any of you. So if you don't mind.

MR. BURROWS: Yes, sir. Thank you.
So with that I'll bring Mark up to give a brief overview of what's going on in the field.

MR. KLEIN: Thanks, Jim. The most beautiful words you will ever hear, I will not be using a PowerPoint. So everybody can take their glasses off, rub your eyes a little bit.

I did make some notes to keep me on track. I've got a 10-minute target and a topic of view from the field which is kind of broad but the way I've broken it down anyway I hope it kind of covers what you guys are looking for and if not I'll be around for questions.

I do want to let you all know 15 regional offices, we're all in the building today and tomorrow. Downstairs, room 925 for meeting. You usually get us all together one time a year in the building. Stop down, say hi. We'll welcome seeing you guys. It will be a nice break for us sometimes because we will be looking at a lot of PowerPoints over the next couple of days.

First thing I want to look at as a view from the field is I want to look at it from
the exporters and our policyholders.

And I always start out by saying that me being a sales guy as a regional officer it's a target rich environment out there.

Of the 1 percent of U.S. companies that actively export we work with about 2 to 2 and a half percent of them.

So that means 97 and a half percent of exporters, that's my prospects. That's who I get to visit with on a regular basis.

The folks that do work with us, those 2 and a half percent, they love us. They understand the value.

When I meet with them their first question is Mark, what's going on in Congress? What's going on with this board quorum? What's up with this reauthorization? What you guys do is so valuable. It is so important. How is it that anybody doesn't appreciate what you do?

So the customers that know us, that's the feedback I get from them.

That 97 and a half percent that don't
necessarily know me and I visit with them, I get
three questions after I do my 20-25 minute
overview.

First question is are you really with
the government?

Second question is what's the catch?

And the third question is why haven't I heard
about this before?

And my answer is typically yes, I'm
with the government. There really is no catch.

It really is a good deal for everybody.

And the third reason is we're a
government agency. We're not really synonymous
with marketing real well. So the way that most
companies learn about me is outreach events. And
I'm going to talk a little bit about outreach
events as I kind of wrap things up a little bit.

There is a common theme when I'm
working with exporters that currently have
policies with us.

The one comment I get a lot of times
is we love EXIM Bank. We sure wish you guys were
easier to work with. We wish you guys were a little faster. We wish you guys could polish up some new Christmas ornaments every once in a while so we have some new toys to play with.

And I think from what Chairman Reed, you've been on four months, two days. I think we're going to get some new Christmas ornaments for these folks. That's the good news.

And I think we're going to be able to speed up our processes a little bit too. So that's the exporters' view.

The bankers' view. That's our other group of folks that are our customers that we work with.

The regional banks, the larger banks that use us on a regular basis, there again they love us. They don't view us as competition. They view us as a complement to their business. They love everything that we do.

The smaller banks that are out there, they wish that they knew how to work with us.

And that's a lot of what I do on a regular basis
is explaining to them not just through our loan guarantee programs, but how they can simply take assignment on some of the insurance products that we do to make it easier for them to lend money which is where they make their money.

The bankers, the same common theme.

The ones that work with us. Mark, we love what you do. We really wish you guys were easier to work with. The speed of the underwriting process.

There again the banks are looking for shiny Christmas ornaments too and I think we've got some of those in the works.

We were without a board quorum for four, four and a half years. There wasn't a whole lot of product development.

The market has been going on just the way it always has been and there's some real gaps to where we could make a really big bang, basically. We've just got to get those products out there. And I think we're going to do that.

Third part. So we've talked about the
exporter view of the field, bankers' view. How
about my view of the field? What do I see out
there?

We are the face of EXIM Bank. There's
about 15 of us scattered out the country. Jim
showed you the map. There's about 15 of us.

We're the face of EXIM Bank. The
banking environment that we're living in right
now, when I first got -- I've been with EXIM Bank
about nine and a half years.

Before that I was a banker for 20. I
was an international banker for 10.

When I first started in international
banking in 2001 there was a lot of international
banking specialists with the banks scattered all
over the U.S.

They're not there anymore. Most of
the trade finance special to the banks, they're
housed in the headquarters. They don't get out
that often.

So a lot of times I get phone calls
from the World Trade Centers, congressional
offices, the U.S. Commercial Service offices.

I get phone calls and the conversation
usually goes like Mark, we visited with a
customer. I don't know if this fits into the
EXIM Bank world, but we don't know who else to
call.

Those are fun calls. I like those.

With my international banking experience if we
start going down the path of a letter of credit
transaction, or a multi-currency Treasury
platform that's all good stuff.

Is it leading us towards our 30
percent small business authorization goal? Not
necessarily, but it is meeting our bigger goal of
helping U.S. companies export because the more
they export the more people they've got to hire.

So that's my -- the world I live in is
I get called upon. That's what's fun about my
job is I never know what exactly I'm going to get
into from one day to the next.

Talking about outreach. In my mind
the most important thing we do.
And there's three kinds of outreach.

The first is trade shows. I do about six to eight trade shows a year. Takes a lot of work. They're not easy. You've got to love doing trade shows. There's a lot of prep work, there's a lot of follow-up work. But in the course of 2 to 3 days I'll meet with 50 to 60 companies that need us. Trade shows are fantastic.

Two events that the Chairman and I did over the past month. Did one at Ohio State. Did one in Kentucky. The EXIM branded events. Fantastic events.

I will tell you right now the market loves Chairman Reed. I've been hearing positive things for the past month about the fact -- number one they're excited that we're back, we're actually doing shows again. We haven't done shows for a couple of years.

They love the fact that we're out in the market again.

We send out a lot of invitations. I think at Ohio State we had maybe 30 folks.
Lexington, Kentucky about 25 folks.

I don't get hung up on the number of attendees that much because I am still working the emails that have come in saying Mark, I appreciated the invitation. I'm sorry I couldn't be there, but yes, we need to talk.

And that just -- it's the gift that keeps giving. It just keeps going on and on and on. So there's a lot of good stuff that happens when we do these type of events.

The last thing I guess, the last part that I want to cover as far as the view from the field goes is that overall it's a real, most people have a very positive outlook, a very positive experience with EXIM Bank.

There's a few stragglers that don't quite understand what we do, that don't get what we do.

But for the most part most companies that either know us, they like us. The companies that haven't known us in the past that I introduce them to us, they understand what we do
and they walk away.

There again, the three questions. Are you with the government, what's the catch, and oh my God, how come I've never heard of this before.

I don't get too much negative opinions, or negative feedback out there. Most companies do -- and our partners.

The bankers and the brokers and the exporters, World Trade Centers, most everybody kind of -- they get what we do and they appreciate what we do.

So, questions. I know we're not doing questions. If you want to do questions now before I have to scoot downstairs.

AC CHAIR PEARCE: We'll hold for questions. Thank you. Appreciate it. Thanks, Mark.

MR. KLEIN: Thanks.

MR. RENNA: Now we're going to have David Sena, senior vice president for the Office of Board Approved Finance, essentially medium and long-term financing.
MR. SENA: Good morning. I'm really excited to be here. I've been with the bank almost 20 years and this is actually my first time presenting to the Advisory Committee. 

I always say something like that so you give me the benefit of the doubt during my presentation.

And I want to thank everybody for being short. And Steve just pointed out to me I have an extra 10 minutes for my presentation. So I really appreciate that.

(Simultaneous speaking)

MR. SENA: I am here to talk about the Office of Board-Authorized Finance. But first I want to say a couple of things.

EXIM Bank is a really special place. The staff at EXIM Bank are just amazing. They do a great job year in and year out.

When we talk about the $15 billion that Director Bachus mentioned, when we talked about the low default rate that Steve mentioned, when we talked about the small business that Jim
mentioned, this is not because we have a magical system that allows us to do these deals.

We have a great staff who do these deals day in and day out.

And the past four years have been very difficult for EXIM Bank and the dedicated staff who believe in the mission of the bank.

And we're really -- I'm really pleased to be here because this is another sign of EXIM Bank being back in business.

The President, the Senate gave us a Chairman and two wonderful board of directors to get us up. And from that we have now the advisory committee. So this is a sign for us.

So I want to thank you guys so much for being here, taking the time and giving us this opportunity to move us forward. So thank you.

So let me go into my presentation to talk about OBAF.

So, OBAF was created about two years ago. And I was asked to lead this group. And
this is designed to really create a deal team for medium and long-term transactions.

So as you can see from this slide here we've created three sections, one that does the underwriting. So that's all the teams that are involved in underwriting.

Then we have our transaction specialists that support the underwriting but also the monitoring teams that Steve had mentioned before.

And the final team is that monitoring team. So these are the guys when they get the deals they protect the taxpayer so that they are proactively monitoring a transaction.

And the key about all this structure is it allows us to better share information. So information flows back up to the underwriting team, let's us do a better job on underwriting new deals.

It's not just one direction. Information flows back to the monitoring team to give advice as how we are monitoring those
transactions. So it's a great structure and it allows us to focus better our efforts on doing a better job.

And I'll say this a couple of times. We're really focused on continuous improvement, how we're doing things today and how we can do things better tomorrow.

So, one of the things that we did when we created OBAF, we wanted to support our exporters and our lenders.

We wanted to be much more proactive in that support.

What I've always said is our exporters and lenders are going to be a much better job at how we -- how they go about business development. They have much better resources in that.

So we want to give as many tools as we can to our exporters and lenders. And I'll talk a little bit about that in my last slide.

So, the other thing that we did to support our industries is we reorganized. And so we had a very successful model in our
transportation group. They had a great teamwork
with the industry and they were able to create
new product offerings.

So we wanted to take that and mirror
that with -- throughout OBAF. So we created new
industry groups.

So, the point of all of this stuff is
we have this expertise from underwriting through
the monitoring of this and the support of our
engineering and technical team.

So let me show you -- so we've set up
OBAF. It's industry driven. So I talked about
transportation.

So we've set up energy and mining
power, high-tech, infrastructure as well as
machinery and industrial.

What we're trying to do is create that
expertise that supports our U.S. export
industries.

And it's been quite successful in
terms of -- and you'll see that as we're trying
to grow EXIM Bank's book of business.
So one of the things that's really critical for me in this structure on the underwriting side, that $5 million deal is as important to me and EXIM Bank as that $5 billion deal.

So we are committed to supporting all of our exporters regardless of the size of that transaction.

So one of the things that we did when we created this structure is that each of the teams are responsible for those deals. We don't pass on any deals to another group.

So if an energy and mining $5 million deal comes in the energy and mining team will be underwriting that $5 million deal.

If that $5 billion deal comes in that team would also be underwriting. We don't pass this along. It's about meeting the needs of our industries.

So let me talk a little bit on what we've done to date.

So long-term transactions. Those are
transactions that are above $25 million. Goes to the board of directors for their consideration.

To date we've done three transactions, two preliminary commitments -- I'm going to talk about them a little bit later that we're really excited about. One was in Cameroon and one was in Iraq.

Consider a preliminary commitment sort of like a letter of interest on steroids.

The other large transaction that we did that was presented to the board last month for their consideration was as Steve had mentioned was a large Mozambique LNG transaction which is a quite transformative transaction. I know the board will be considering that in September after it comes back from comments from the Hill.

Let me talk a little bit about the pipeline. We have an active pipeline.

One of the things to note of it. The pipeline is over $40 billion and primarily think of the pipeline really consists today of a large
project deals.

So I mentioned that Mozambique LNG deal that's up for consideration. That application actually came in-house April 2015.

So many of the deals that were earlier and from a few years back in the pipeline that were smaller corporate -- I hate to say a couple of hundred million dollars are smaller corporate deals.

Those transactions are gone. They were either lost to EXIM Bank or the export still went forward which would be good. Or the exporter lost that contract.

So those deals -- the pipeline is a living document that we update on a monthly basis. Those deals are gone.

So what we had when the board came in were those large transactions that were project oriented.

What we're starting to see, new deals starting to come into the pipeline are the shorter lead time type of deals. So we're
starting to move those through that pipeline.

Let me talk a little bit about the --

let me talk about the medium-term transactions.

This is actually so important to me

that we meet the needs of our small and medium

enterprises.

So these are the deals that are under

$25 million. And one of the things that we've
done is we've done over $300 million to date of

medium-term. We expect that we should get above

$400 million by the end of the year.

And this is a program that we wanted
to turn around. When OBAF started in 2018,

beginning of 2018, the year before medium-term

was $170 million for the full year.

So we wanted to make this a priority

of EXIM Bank and OBAF and to support our small

and medium enterprises. So really excited about

this turnaround.

And this is a program that we want to

continue to grow. We've made many improvements
to date. We're looking at the medium-term
pricing model.

    We're not doing one size fits all structuring. We're customizing to the terms of the projects. We're trying to be more flexible to our exporters.

    And this is one of the things that we always are listening to advice on how we can continuously improve because we always want to take it to that next level and next step. We don't rest on what we're doing today.

    Let me go to my last slide. And so I talked about this. One of the goals that we have, or one of our major goals is to give the tools to our exporters and our lenders.

    And so one of the things that we did is our letter of interest program. We ended up revamping that and we actually do due diligence on the front end and we actually now do two separate letters of interest.

    One is a standard letter of interest that we like these products. A second one that we do if we take it to a higher level is one that
I will sign -- that I sign that says I've assigned a loan officer to have the authority to underwrite that transaction.

What we want to do -- and we customize that to whatever the exporter or lender might need.

What we want to do is we want to give that tool to the exporter to help win that sale. And if they win that sale and they need us, great. And if they don't need us, that's even better. It doesn't necessarily have to be -- I've got one minute left so I'm going to go through the rest really quick.

Preliminary commitments. I mentioned that in letters of interest. That's -- consider that on steroids.

This is where the board of directors approve those. And so in this particular case I want that exporter to go to -- I mentioned Iraq, to go to the Ministry of Finance saying I've got EXIM behind my back. I need this in the contract so we can win that sale.
The most important thing about winning that sale is to win that -- if they win that first sale, they're going to win the second sale.

So I want to give all these tools to our exporters.

Risk sharing, very briefly. I'll talk about that. I know David Fogel will mention about this.

We were the first federal credit reform agency to implement a risk sharing program. That's a $5 trillion book of business in the U.S. government. We want to build upon that success.

The point of risk sharing is to crowd in more people into what we're doing. So at some point in time we might do 10 percent, 20 percent, 30 percent, or we're not needed as more people get involved. We call that crowding in.

It's a great success for EXIM Bank and it gets more people involved in our deals.

A couple of last things I'll just go through, VDR. We put in a contract in place to
have a virtual data room where information can be submitted electronically to EXIM Bank, moving away from paper.

We're working to, again, improve our efforts with our exporters and lenders. And then I'll leave the rest for later. Thank you guys so much. I really appreciate it. I know you gave me 20 minutes. I only can do 10.

AC CHAIR PEARCE: We'll check your watch later. Thank you, Steve, Mark, Jim and David.

Now, we're running a little bit ahead of schedule. I know that you don't think government agencies would ever do that, but we are.

I'm going to take this opportunity and we're going to do two things in this 15 minutes of kind of spare time. We're going to introduce ourselves around the committee and each second you use to introduce yourself takes away from the other part we're going to do and that's questions for the group that just presented.
So, this is not the U.S. Senate. You can't filibuster. So introduce yourselves.

We met Director Pryor. We're going to start, Gary, with you and just work your way around all the way to Chris.

CHAIRMAN REED: And may I just say for a second we have a transcriber here. So this session is being fully recorded. So please speak loudly if you're not at a mike so that he can get it.

And also I want to be sure that we also recognize in addition to Lisa Terry, our chief ethics officer, the 2015 reauthorization also mandated that we have a chief risk officer.

And so a gentleman named Ken Tinsley is with us today. As we head into this discussion in just a moment I want Ken to also be available for questions because we have checks and balances within our building as we address potential deals.

And Ken will present in more detail at our next board meeting. But I just wanted to
recognize him so that he can join in as we talk about the presentations that just occurred.

MEMBER BLUMENTHAL: Everybody else got 10 minutes. My name's Gary Blumenthal. My company is World Perspectives, Inc. We do consulting in the agriculture sector in many countries around the world.

MEMBER KAVANAGH: Good morning, my name is Matthew Kavanagh. I work for POWER Engineers. I manage our federal global portfolio.

POWER Engineers provides engineering design services primarily focused on generation and transmission projects around the world.

MEMBER KAVIA: Good morning. I'm Kusum Kavia with Combustion Associates. We are a manufacturer of power generation systems out of southern California. And we're a small business.

MEMBER O'BRIEN: Good morning, I'm Jim O'Brien. I'm with Baker McKenzie which is a law firm. I run our global projects group which manages how we're mining infrastructure projects.
MEMBER OKPA:  Good morning. My name is Ejike Edward Okpa. Born and raised in Nigeria, live in Dallas. I'm in real estate, commercial real estate as well as economic development.

And what we do is to help African companies, firms, individuals, to understand America, integrate and facilitate better commerce and trade.

MEMBER SULLIVAN:  Good morning, my name is Paul Sullivan. I'm the president of international business for Acrow Bridge.

We specialize in the design, manufacture and supply of prefabricated modular steel bridges. We're based out of Parsippany, New Jersey. We do all of our manufacturing with 100 percent U.S. steel in Milton, Pennsylvania.

And we recently with EXIM Bank supplied 44 bridges to Cameroon and 131 bridges to Zambia which helped us win the Deal of the Year Award at EXIM Bank in 2016. Thank you.

MEMBER WORKS:  Good morning, I'm John
Works. I'm with Mott MacDonald. We're a 16,000
person global engineering firm. I head up the
U.S. government development and finance work on
the energy side. So my clients include U.S. EXIM
Bank, of course, USAID, USTDA, OPIC, MCC and the
like.

I was formerly the senior transaction
advisor for Power Africa in Pretoria, South
Africa responsible for transactions over 10
megawatts. And we put some 4,400 megawatts on
the grid in the two and a half years I was
leading that effort.

MEMBER TETTLEBAUM: Harvey Tettlebaum.

I'm with Husch Blackwell. I'm an attorney
specializing in regulatory matters and
healthcare.

MEMBER YOUNG: Joanne Young. I'm also
an attorney and a veteran of big law. I'm now a
women owned business, smaller law firm and we --
I focused for about 40 years on the
transportation industry, international
transportation industry which includes
representation of state and local governments.

I've led -- been on eight boards, two of them, and led four of them. And two were all women organizations. One, the International Aviation Women's Association which includes a lot of companies doing business globally and the Women's Bar Association. Thank you.

MEMBER LISER: Good morning, I'm Flori Liser and I apologize. I apparently didn't RSVP, but I've been here the whole time so I'm delighted to be a part of the Sub-Saharan Africa Advisory Committee.

I'm the president of the Corporate Council on Africa. For the last 23 years CCA has been promoting greater U.S.-Africa trade and investment, and greater engagement between U.S. businesses and African businesses.

We are member-based, over 140 companies both U.S. and African, both multinationals and SMEs.

And we are a great advocate and supporter of EXIM Bank and what you do. We're
delighted that we're -- you're fully engaged
again because we believe that U.S. businesses
need a level playing field in order to be able to
compete in Africa which is a growing and
lucrative market for many of our businesses.
Thank you.

MEMBER SANCHEZ: Good morning. My
name is Alex Sanchez. I'm president and CEO of
the Florida Banker's Association.

And I can tell you that our great
state is a big user of the EXIM Bank. Many of
our banks are users at our group.

Many of our -- of course, Florida
being such an international state we have banks
from all over the world in our great state.

Chairman Pearce, on your point on
China earlier I did an economic mission with the
Financial Services Volunteer Corporation started
by Secretary Vance and President George Herbert
Walker Bush based in New York as you may know to
Tanzania.

And we were there for 10 days with the
5 eastern countries of eastern Africa. And I can
tell you the Chinese are there everywhere.

But the funny thing is we had dinner
every night with the Africans. They would not
really socialize with the Chinese. They were --
loved our country. We talked about our country
each and every night. But they never did that
with the Chinese, but with us.

So this is a great organization. I'd
like to see our banks in our state use you more.
And anything we can do to help we're here to
serve. Thank you very much.

MEMBER ROGOVIN: Good morning. I'm
Dick Rogovin. I'm chairman and general counsel
of U.S. Bridge.

And I think U.S. Bridge speaks for
itself. Nice to be here.

MEMBER RAGUSO: I'm T.J. Raguso. I'm
director of global banking for Zions
Bancorporation.

We are a $70 billion regional bank
headquartered in Salt Lake City and we're in
eight western states.

   And I've been a longtime user at the
bank of the small business programs of EXIM Bank
and have seen firsthand how these programs
benefit small business.

   I promise I will bring a Main Street
perspective. We are headquartered at No. 1 South
Main Street.

   (Laughter)

MEMBER GOODMAN: good morning. I'm
Larry Goodman. I'm the president of the Center

   We're an independent non-partisan
think tank focused on financial markets. We have
four business lines, the future of finance, data
and analytics, policy, and technology.

   We have a community that stretches
across 187 countries around the world. It's a
delight to be here and I'm honored to be here
with you. Thank you.

   MEMBER POWELL: Good morning, I'm Rich
Powell, the executive director of ClearPath.
We're a C3 non-profit advocacy organization based here in DC.

We focus on policy that accelerates energy innovation in the clean space both here in the United States and globally.

We focus on the full suite of zero emission flexible clean technology. So nuclear energy, fossils with carbon capture, grid scale storage, hydropower, technologies in that vein.

Thanks.

MEMBER FERGUSON: And I am Rodney Ferguson. I'm the president and CEO of Winrock International. We are an international development organization.

We're headquartered in Little Rock, Arkansas with operations -- offices here and Kenya and the Philippines, but operations in 45 countries around the world.

We do work with several U.S. agencies as funders including USAID, EPA, the Department of Labor and Department of State.

We're also an unusual international
development organization in that we also have a
domestic program that is based largely in the
mid-South where we do economic development and
job creation.

So for example, we run the statewide
small business incubator for Arkansas called
Innovate Arkansas. We do the same, a similar
project for the Delta Regional Authority which
encompasses all the states that are under the DRA
mandate where we work with the private sector as
well as DRA funds to create more job
opportunities for small businesses in the Delta.

So I appreciate the opportunity to
serve. As an organization and me personally, I'm
also here to represent environmental
organizations to ensure or help encourage
environmental considerations as the bank looks to
expand its lending.

So again, thank you very much and
particular thanks to Ms. Pryor for her
recommendation. I'm very happy to be serving and
look forward to it. Thank you.
MEMBER DINERSTEIN: Good morning. I'm Bob Dinerstein. I'm chairman of Veracity Worldwide.

We provide strategic risk advisory services to companies doing business in emerging markets. We've done over 1,600 engagements in over 90 countries over the past 10 years.

I'm also a director of Amalgamated Bank which until the financial crisis was the country's only labor-owned bank. It's now partially labor-owned.

And previously spent my career in financial services as general counsel of three investment banking organizations, most recently as global general counsel of UBS's investment bank. It's a pleasure to be here and to serve.

MEMBER CINO: Gary, I think you might have done something wrong. You started us off great and I think we've gotten longer at the introductions on this end. I'll try to bring us back.

I'm Maria Cino. I am the head of
North and South America for Hewlett Packard Enterprise, a small little tech company.

In my previous life I served as the head of the U.S. Foreign Commercial Service.

Worked a lot with EXIM.

So it's a privilege and an honor to be here today and hoping to put us back on track and up those numbers. Thank you very much.

MEMBER BLACK: We'll sing a duet together in a little while.

MEMBER CINO: Only if it's Frank Sinatra.

MEMBER BLACK: Good morning. I'm Gary Black. My wife and the citizens of Georgia are allowing me to serve my third term with the Commission of Agriculture in the state of Georgia. I'm very honored to be here.

MEMBER SMITH: Good morning, I'm Chris Smith. I'm here in the capacity of executive director of the Parity for Main Street Employers Coalition which is the trade groups that represent individually and family owned
businesses, 95 percent of U.S. businesses.

And we work to create a level playing field for those businesses on tax and trade policy.

AC CHAIR PEARCE: Okay. Thanks to each one of you. And we've got about eight minutes for questions now.

I'm not going to ask a question but Mark, I noticed that when you gave your presentation you told about one question and then three more in sequence.

You answered the three, but you never answered what the heck's going on in Congress. I'll talk with you later about the answer to that. I'm sure everyone here may have some concern about that.

So if you simply raise your hand. If you've got more than one question just ask one. We've got a lot of people. So any questions?

Richard, go ahead.

MEMBER ROGOVIN: Totally off the wall question, but we're called the EXIM Bank. What
do we do for imports?

DIRECTOR BACHUS: We're not a bank either.

MEMBER ROGOVIN: And we're not a bank either. That's a good point.

I find when I'm promoting EXIM, giving press conferences as I've done with Senator Brown and writing articles and that sort of thing a lot of blank looks on the faces of listeners.

EXIM sounds strange to them and Export-Import Bank sounds like it's too long to say. So why hasn't anybody suggested changing the name? Why not?

Because it makes it a lot more difficult to sell something when people can't identify with it right away, don't know what you're talking about.

I mean, I changed our name 30-40 years ago. We started selling bridges outside of Ohio. We were an Ohio company.

And I didn't want that single state origin identification.
It's amazing all over the world where we're dealing now that we get some respect because it's identified with the United States. And the word "bridge," it's not difficult for people to identify with.

But EXIM? I don't think any question that we ask is beyond our right to inquire as advisors to the bank.

And whether it happens this year, happens next year, or the next time we reauthorize somebody should be looking at the name, maybe a subcommittee of the board should be looking at the name.

AC CHAIR PEARCE: It's a fair question. Other questions.

DIRECTOR BACHUS: We are. I don't know if you want to comment on that, but I think the name will be changed.

CHAIRMAN REED: We'll talk a little bit more during the legislative update, but one of the proposed pieces of legislation does have a name change suggestion in it.
But we'll see how all of this turns out. But it's definitely something that's been discussed in the House of Representatives for sure.

And I know that I enjoyed our time together in Columbus. And thank you, Senator Brown, Ranking Member Brown. The Banking Committee sings your praises so thank you.

AC CHAIR PEARCE: Harvey.

MEMBER TETTLEBAUM: Could you describe for us, and this may be a question for Commissioner Pryor how you all coordinate with OPIC?

DIRECTOR PRYOR: I'm sure there are folks in our policy shop that are probably better able to answer this question, but I will tell you from my six and a half years at OPIC and being here that there are many instances when both OPIC and EXIM would be side by side in a deal together, whether it be in Africa or South Asia or somewhere else around the world.

OPIC has a different mandate and
charter requirement than the Export-Import Bank

does. OPIC has more of a development mission as

you know.

And so it wakes up in the morning and

says what good can I do in the world today. And

EXIM wakes up in the morning and says how am I

going to generate job creation and U.S. exports.

So different mandates, yet we often found

ourselves side by side in many deals together.

Unfortunately the bank was shuttered

for the past four and a half years so the Power

Africa initiative is an example where I think had

they been able to do transactions over $10

million we would have worked much more closely

together with them.

But it's organizations or committees

or interests like Power Africa, Prosper Africa

that will enable us to work with our sister

organizations very closely.

And I know that the bank works with

TDA, for example, closely together.

CHAIRMAN REED: I'd like to just build
on that. For those of you that don't know on October 1 OPIC's name will go away and they're going to launch a new agency called the Development Finance Corporation.

I am coordinating with the acting head of OPIC, David Bohigian, and also engaging with Sean Cairncross who heads the Millennium Challenge Corporation and other agencies.

We will be at the UN General Assembly at the end of the month on a panel and talking about how we are all important tools in the trade toolbox.

So, we will have further collaboration and I look forward to supporting the DFC when it gets stood up on October 1.

DIRECTOR PRYOR: Can I just add one more thing to your comment, sir? The name, EXIM Bank. OPIC had the same problem. So somebody took the opportunity to change that.

The Overseas Private Investment Corporation doesn't bode well for a U.S. government agency. It's overseas and it's
private and it was very problematic.

So I'm with you and I hope that if Congress does decide to change it they rely on the marketing experts here in the bank to help them do it.

AC CHAIR PEARCE: Joanne, you had a question?

MEMBER YOUNG: My question goes to EXIM Bank financing of new technologies.

One of the ways that we compete well with our biggest competitor, China, is in innovation and new technologies.

And I'm wondering what EXIM is prepared to do in this area. I'm thinking, for example, there's some very innovative things that are starting to be talked about in biotech, methods of cleaning, in mining development, in cleaning coal that are environmentally much better.

And the question would be is that something that EXIM could help a U.S. company finance for production abroad?
AC CHAIR PEARCE: Stephen.

MR. RENNA: The answer is absolutely yes. We are agnostic as to any sector that comes in looking for EXIM support.

We cannot pick a sector that we necessarily want to support. We wait till it comes in the door.

But to the point of reaching out to all different sectors that is a big initiative of the Chairman that we have and it will be a big part of my responsibility, to make sure we are reaching U.S. companies across many different sectors and many different sizes to inform them of the value add that the EXIM Bank can provide them.

And we certainly help that the technology sector is going to be one of those.

AC CHAIR PEARCE: Just a footnote there as you talked about the U.S. lead in technology.

Several years ago as congressman I had the opportunity to meet one of the world's
foremost authorities in game theory which is used for training military and everything else. It's far beyond game theory.

He said he was going to China to make a presentation at their request and he thought, okay, based on what I've seen around the world I'll get there and it'll be 30 or 40 people in the room and they won't know the right questions to ask and it'll last a couple of hours.

He said when he showed up the room was 5,000 people and he was the least knowledgeable in the entire room.

So just understand that when we think we're ahead we have much catching up to do. We have abdicated many of our positions.

I've got one more question then we're going to go to our photo.

MEMBER KAVANAGH: So my question is more of a process question related to David's presentation. Steve, I don't know if you want to take that.

But he had mentioned that the letter
of support, letter of interest that EXIM can provide.

    And I've used that. I've provided it, helped obtain it for clients. And it's a nice way to differentiate a proposal or a bid which tends to be time-sensitive.

    So you have it in there. It's a nice differentiator that you could potentially bring U.S. financing.

    But he mentioned the enhanced letter and that requires a bit more due diligence and process and has a little bit more meat behind it.

    I was wondering -- we kind of glossed over that quickly, but what is the timing for obtaining something like that? The basic letter, the standard letter is pretty fast I've found. But it doesn't commit the bank to anything.

    What is involved with the enhanced one?

    MR. SENA: Thank you. I appreciate the question.

    So what we are very big on doing is
tracking our information. So we've created a tracking report for letters of interest and we set a standard of 10 business days to approve our letters of interest, both the regular LI and the enhanced LI.

So, part of this is to make sure that we're meeting our customers' needs and when we have issues we find out what's going on, why it's going on and how we can fix it.

So it's a 10 standard business days for it. And again, think of it as -- the enhanced is more due diligence, but what it is is it gives you another tool that says okay, not only does EXIM Bank get -- you get two letters.

EXIM Bank likes this deal and can support it, but we like it so much I've assigned a loan officer to help underwrite those deals.

And then we can even go further. If you want we can be -- if you're going overseas we can send a loan officer with you that can be right behind you.

And we'll customize that enhanced
letter to meet the needs of the customers. So if you know, hey, this customer likes this type of information we can put that in there.

Whatever we can do to help you get that sale we'll do. Thank you.

AC CHAIR PEARCE: Okay. One more.

Make it quick because we're going to stay on time.

MEMBER OKPA: My question is the EXIM Bank, what sort of relationship or collaboration does it have since some are on the Sub-Saharan Africa Committee to work with some similar institutions over there.

Because it's a challenge oftentimes is understanding what EXIM does and how people in Africa, for instance, there is the African Import-Export Bank which is similar, it represents 49 African states.

And if the EXIM Bank will be interested in some sort of summit where they -- to get together and talk about how to promote.

Because as he said, export, there's always going
to be import.

AC CHAIR PEARCE: Stephen, does one of your team want to address that?

MEMBER OKPA: If they are open to that. The president of the African Import-Export Bank is my schoolmate and he's very excited if there will be an opportunity for the two to meet and talk in continent about what they are to do.

MR. RENNA: I think that dialogue like that makes a lot of sense. It's one of the things we need to do particularly on the African continent is to make sure that African countries know that we are back in business and what we can do for them.

It's been too long. Since they haven't seen us on the playing field operating. And as a way to do that, to have a dialogue with the African counterparts there would be very productive.

And there may even be opportunities for us to take different parts of projects that need financing from an export credit agency
standpoint.

CHAIRMAN REED: And I'll just add to that. So Dan Runde, this is the exact reason why I hoped Dan Runde would chair our Sub-Saharan Africa Committee because he understands all of these different organizations.

And actually the second international trip I did was at the request of the President had our U.S. delegation to the swearing-in of President Ramaphosa in Pretoria.

And it was an honor to gather at our U.S. consulate there and start these discussions. But we really appreciate your involvement and I know that you will have a robust discussion on this this afternoon.

AC CHAIR PEARCE: Okay. We're set for a break now. We're set till 10:45 but I will tell you that I will want to reconvene early. I don't think it's going to take 15 minutes, 20 minutes to get a photo done.

The facilities are around the corner past the elevators. So if you're back in here
early the more time that we can squeeze out for
discussion from you, the members, that's what I'm
after today.

We've got certain things that we have
to do by law. There are certain things that we
have to do by protocol.

But I'm trying to get every second
that we can to hear from you all on the
committee.

So let's take that break. Chair,
you've got a comment?

(Whereupon, the above-entitled matter
went off the record at 10:28 a.m. and resumed at
10:48 a.m.)

AC CHAIR PEARCE: Let's go ahead. And
that's Lauren Fuller and David Fogel for the
reforms.

Lauren and David, if you can -- okay,
here we are. Lauren, if you'll go ahead and kick
us off here. We've just got to keep on schedule.
Everybody is up against time deadlines this
afternoon.
CHAIRMAN REED: I will start this off.

Thank you very much, Mr. Chairman. And thank all of you.

As you know, as the new head of Export-Import Bank of the United States I committed under oath to the United States Senate to make sure that we are transforming this agency and protecting the U.S. taxpayer.

Senator Patrick Toomey charged me with doing six reforms. And you have those six reforms in your packet.

And I want to commend all of the staff here for helping us think about those reforms and what we can be doing to make a difference for our mission in new and great ones.

We have built out a team to help us do that. And I'm so pleased to present two of those team members, Lauren Fuller, senior advisor to the Chairman at EXIM, and David Fogel, chief of staff at EXIM.

Lauren did oversight and investigations on Capitol Hill for four different
committees and brings experience as a judge. And also just the important role of our government as we look at what we should be doing internally.

    David brings the wisdom of the private sector and is helping us stand up some important programs that we are doing here within our current legislative mandate.

    And of course we were up on Capitol Hill yesterday and presented the items that Lauren will present shortly to Senator Toomey.

    And I believe that he was quite pleased with the incredible steps that we have taken over the past four months.

    And we will continue that dialogue not only with him, but with every member of Congress as well as with you, our advisory board, because we know that you also will be sending a strong message to Congress about what we're doing.

    And so with that I would like to ask Lauren Fuller to talk at a high level about the reforms we are doing to date.

    MS. FULLER: Thank you, and good
morning and welcome to all of you to EXIM.

I'd like to take just a moment to
highlight some of the many reforms that are
either underway or have already been accomplished
since the Chairman took office on May 9.

There are quite a few of them so I
hope you'll forgive me for looking at my notes
from time to time.

But those are six broad categories and
they are the following.

Increase transparency. Strengthen
taxpayer protections. Improve protection of
domestic companies. Ensure EXIM does not crowd
out private financing options. Crack down on bad
actors, and work to reduce the reliance on export
credit agencies, or ECAs, globally.

So with regard to transparency the
Chairman has set the tone at the top both
internally and externally with regard to
transparency.

We've approved a chief ethics officer
to ensure ethical conduct and transparency
throughout all areas of the bank.

We've reestablished the Advisory Committee and the Sub-Saharan Advisory Committee to provide an independent voice to our work and to provide us with other recommendations as we go forward for improvements.

We've hired an excellent staff as the Chairman said with a background in both law, finance, reform, oversight and organizational effectiveness.

With regard to strengthening taxpayer protections we've approved a chief risk officer and established a risk management committee.

We've doubled the ethics officer's staff to expedite the financial disclosure reviews and the conflict of interest reviews for all applicable staff.

We've also posted as of Monday in the Federal Register two of our policies and procedures, one relating to economic impact and one relating to additionality for public comment. And they'll have 30 days to comment.
We've also begun reviews of our due diligence procedures which are used in reviewing applications before the bank.

And we've created the position of senior advisor for national security, and we've added the National Security Council and the National Economic Council to our National Advisory Committee which is part of the process for reviewing deals with regard to the national interest.

With regard to improving the protection of domestic companies we've revitalized EXIM's field offices and we've expanded our outreach to small businesses to provide export tools with special focus on rural areas.

And the Chairman herself has engaged in a number of business roundtables across the country since her start.

And we've also approved $2 million for a digital media strategy to better reach out to small and rural communities.
With regard to ensuring EXIM does not crowd out private financing we've met with more than 20 of the leading export credit financial institutions to ensure EXIM does not crowd out private financing.

And we've been told by all of the banking partners at least that we have met with that EXIM does not crowd out private financing, and that in fact they need EXIM in these deals.

And again I think it's important to note that we've published in the Federal Register for this category the additionality policy for public comment.

And with regard to cracking down on bad actors the Chairman is enforcing a zero tolerance anti-fraud policy going forward and we're promptly responding to all concerns, if any, from our inspector general.

And of course the establishment of the chief risk officer is very important in this category as well as I've alluded to.

And we've launched a review with the
inspector general and the general counsel and the
ethics officer of our suspension and debarment
procedures to ensure that we enhance the
exclusion of any and all bad actors.

And with regard to working to reduce
reliance on export credit agencies globally the
Chairman the day after she was sworn in flew to
China to meet with the G12 member nations and the
export credit agency heads of those nations to
also discuss her congressional mandate to look at
reducing the reliance on ECAs globally.

And she was able to secure as hosting
here in the U.S. in the spring of 2020 here in
Washington, DC a meeting of the G12 ECAs to also
continue that discussion on reducing the reliance
on ECAs globally.

So with that let me turn to David
Fogel, our chief of staff. And he will talk a
little bit more about the economic impact, the
additionality and our reinsurance efforts.

MR. FOGEL: Good morning, everyone.
It's great to be with you. Let me start off by
thanking all of you for your service. It's an honor to be with you. We've been reading your bios and preparing for this for some time and it's wonderful to be with all of you. I've met some of you, but I look forward to meeting the rest of you hopefully today and then in the future meetings to come.

Let me start off by thanking our staff on behalf of the Chairman for putting this meeting together. A lot of hard work went into this, a lot of preparation and I just want to acknowledge them and their hard work. So thank you to them.

As Lauren mentioned I'm here to talk about two specific reforms that the Chairman has put forth.

The first is actually really two categories. These are procedures that are mandated by our charter that we put out for public comment and that we are reviewing as well internally.

So we're reviewing internally, we're
seeking public comment. We're going to take
those public comments and incorporate them into
our review and come out and report that to our
board either late this year or early next year.

And you will have a chance to
participate in that as I'll describe in a minute.

But first let me tell you what those
procedures are. They're economic impact and
additionality.

I know you've heard those terms
already. Lauren mentioned them as well as
others.

I won't get into too much detail
because we're going to spend a lot more time at
your next meeting in December talking about those
concepts.

But briefly let me explain. Economic
impact is the process by which EXIM considers any
adverse economic impact from the transactions
that we support.

So if you think about it, if we're
going to help finance an export transaction in a
foreign country if that transaction directly or indirectly has an economic impact in the United States, for example, competing with U.S. business then we should evaluate that to make sure that the net economic impact is positive for America.

We don't want to be doing transactions that have a net negative impact on America. So obviously like anything it gets more complicated than that when you dig into the details, but this is an important concept.

Number two is additionality. And I have to tell you as the Chairman mentioned I have a finance and legal and business background. I've been here three months. It took me about two months to understand what additionality means.

But let me try to explain it briefly. The concept is that EXIM should only support, quote, "additional" exports, meaning exports that would not otherwise occur absent EXIM involvement.

Put another way, we seek evidence in
the transactions we do that we don't compete with
the private sector, but rather we supplement it,
we complement it. That's very important.

Now, in terms of the process I
mentioned. We published a Federal Register
notice and as a follow-up by the way to this
meeting by email you will receive information, a
link to the Federal Register notice.

We put out a Federal Register notice
on September 9, so just the other day basically
announcing that we were undertaking this review,
seeking public comment, 30-day public comment
period.

So October 9 that will close. We
expect to receive quite a few public comments.
We invite you to comment individually during that
process. And again you'll have a link so you're
able to do that.

Then we will spend considerable time
synthesizing this information, summarizing this
information, collating it and then eventually
preparing for you in our December meeting
basically a summary that we will discuss with you
and seek your input on.

And then after that by the end of the
year we hope to have sort of a final summary that
will go to our board in terms of recommendations
for them to adopt.

So that is the first reform that I
wanted to talk about.

The other item which also has been
mentioned twice is our reinsurance program which
has been a great success and frankly I think is a
good example of public-private partnership
working together and working well.

We have partnered -- starting in 2018
we, EXIM, partnered with the reinsurance sector
to develop this pilot program where we off-laid
$1 billion of portfolio risk to the private
sector, to the reinsurance market.

And this is a two-year program, so
it's set to expire early in 2020.

It has been very successful and as I
think David Sena mentioned it's a model frankly
for the rest of the U.S. government. Other agencies are now adopting this which is great to see.

This program had essentially three goals. Diversify the risk exposure of our portfolio at EXIM, maintain a healthy default rate at EXIM, and of course, last but maybe most importantly, protect U.S. taxpayers.

So, the Chairman has announced that what she wants to do is expand this program. And in fact, we had a session last week with the reinsurance market and they're eager to participate in that.

We're going to expand this program and we're working on the specifics of that, but the plan is to expand the size of the program well beyond the $1 billion, expand the type of assets that are covered.

We started with one portfolio, but we plan to expand to other asset classes that are the subject of our transactions.

And then finally, we're looking at the
possibility of insuring, reinsuring individual
transactions as opposed to portfolio of
transactions.

There will be more to come I'm sure at
a future meeting as this develops. Probably not
our next meeting, but after that we will talk
about this some more.

With that, thank you very much.

AC CHAIR PEARCE: Thank you, David.

Thanks, Lauren, for your presentation. Again
we'll hold questions to a future point of the
meeting.

Jim Cruse, senior vice president at
the Office of Policy Analysis and International
Relations at EXIM has the next part of the
program.

Go ahead, Jim Cruse, if you would make
your presentation.

MR. CRUSE: Hello, everybody. A
little out of timing here, but all right. I'm
ready to go if you are.

The topic of this presentation is the
competitiveness report that we issued about two
months ago. We do that annually in response to a
mandate from Congress.

So anyway, the point I want to get
across today in as short a form as possible is
not just what the report said.

We want to make clear what the message
was in the report. And that in sort of a
foreword is that the world of export credit
competition has changed fundamentally,
permanently or at least for the foreseeable
future and in ways that is not consistent with
the historical U.S. preference of how things are
done.

That is going to make it much more
difficult for us to meet our mandate to be
competitive. That's the number one mandate that
the charter gives to EXIM Bank.

They also mandate us to provide terms
and conditions that are competitive and to do a
report on it. And that's why annually we do
this.
But the question is what happened because about 10 years ago we were able to say that we were quite competitive, we had programs that met everything the competitors did and that we were number one in terms of overall competitiveness. But things have changed.

Because for the past four years we haven't had any transactions in the medium to long-term or at least the long-term to which to compare what we have been doing is standing back and looking at what's been going on in the world of export credit.

And so for a few years we looked at different trends emerging. And this year we took another step back and said okay, over the past 10 years what can we say has been going on in the world of export credit while we have been lapsing and on vacation to some extent.

This is the most important slide that I have to show you today because if there's one message that I want to get across it is there have been three fundamental changes that have
occurred in the world of export credit since the financial crisis of roughly 10 years ago.

The first is that the demand for medium and long-term export credit has increased more than proportionally to the increase in trade.

And that's because export credit, official export credit has become a strategic tool of many countries and not just China.

I'll get into more details in a second, but the key is that demand is increasing dramatically.

The second is that due to the consequences of the crisis and regulations such as Basel III and Dodd-Frank the availability of medium/long-term export credit from commercial sources has been significantly reduced.

And so you have demand increasing and supply literally decreasing. Not just growing as fast, but literally decreasing.

And into that gap steps EXIM Bank and the other ECAs. And that gap is growing.
But in the meantime while the ECAs step into that gap you have the third influence which is China which has been a game changer in terms of the nature and scale of export credit.

And so where we are today is in a world in which there is a structural demand for export credit beyond what the private sector can provide.

And the nature of that credit has changed significantly from what it was 10 years ago.

Now, how has that changed? What's been going on? Why are export demand increasing?

Basically because during the financial crisis and just after it many countries basically exhausted the fiscal and monetary tools that they had to boost their economies. And so they've turned to exports.

If you think of the old equation, domestic consumption investment plus the change in exports versus imports equals GNP. Economics 101 at least when I was in college but that was a
long time ago.

And that means that exports is now a strategic objective of countries and therefore export finance is one of their strategic tools. And therefore demand is increasing dramatically.

The next major slide that I want you to particularly focus on is this one. Not the writing, but the chart.

This captures what I was saying about the supply of export credit. Because per transaction prior to the financial crisis banks were generally willing to go out as long as 20 years, to take as much as $500 million per piece and to go down to risk to a B.

Today in general banks are only willing to go out to seven or eight years, are only willing to perhaps take $200 million and are not willing to take a risk below investment grade. That is a substantial change and that has led to an absolute reduction in the amount of long-term export credit available.

And then you have the Chinese
influence. And most important of all it is a
fact that while they have been aggressive and
everything else, the effect of it has been to
weaponize export credit.

It is no longer simply a defensive
passive reaction to a particular request. They
have gone in and shown how if you pour export
credit into a situation you create an incentive
for them to buy from you.

And this has become a pattern, a model
that has been taken up by some of the other
countries.

You find in the UKEF, in France and
such they have revitalized and reformed, their
version of reform, their ECAs to be much more
aggressive and to create tools that intentionally
go out and try to attract business away from
other countries.

You have in the case of Japan and
Korea who were first impacted by the Chinese,
they have developed the type of tools that the
Chinese use which basically are tools that are
not governed by the OECD arrangement on export
credits.

And this is why now more than half of
medium/long-term official trade finance is
outside the bounds of the rules of the
arrangement whereas 10 years ago almost 90
percent was inside the bounds.

And not least is the fact that they
have come to copy the fact that while export
credit in Japan is an important part of
industrial policy in reality it is frequently the
tip of their policy spear.

It is the one that leads them into the
countries, that opens up the countries for their
exporters and others to get into.

So, in a sense the world has changed.

These are the three things. Demand has
increased, supply has decreased and China has
changed the nature of the game.

The net result is that we are looking
at a world that is not the world in which we
worked in the last 40 years. That world was
dominated by a Washington philosophy of reactive, defensive lender of last resort. That is not the world we're in today.

And most importantly more and more ECAs are using export credit as a weapon, as a way to create exports to take exports from others.

Here I'll use the example that has been the most popular program in several countries is that they provide money -- they go to a country and they say here, here's a few hundred million dollars.

If you happen to find places to use them then buy from our country. We might continue this line going forward.

But the whole goal is to incent companies in those countries to change their structure of their trade, to move their sourcing.

It is not defensive. It is not reactive. It is not lender of last resort.

This is the type of competition that we are facing and it is fundamentally different.
The net of that is that going back in it's going to be much, much tougher for us to be competitive, to be number one, to meet our mandate.

And in fact, given what the exporters and bankers that we deal with have told us in our surveys is that they're not sure we -- let's put it this way. Our creditability is lacking, that we as a country have the political will, that we institutionally and not just this institution have the capacity to do what is necessary to be competitive.

And so therefore I had an exporter tell me that listen, glad to have you back. We'll certainly come in and see what you have to offer. But I cannot on the basis of my business ignore what is being offered to me by other countries.

Until you show that you are a dependable long-term source I'm going to continue to take that option that they give to me. It may not be all that I do, but I cannot turn it away
so long as you are a maybe/maybe.

So end of the day if we're going to come back we have to come back better, bigger and bolder.

AC CHAIR PEARCE: Thank you, Mr. Cruse. Appreciate the presentation. If I could emphasize one more time the demand is increasing, supply of financing is decreasing at the same point, not just not keeping up with demand but actually decreasing because of the regulatory impacts in Europe, and the Chinese are stepping into the gap so that in the last how many years — the Belt and Road Initiative now is in 62 percent of the world's population, 4.4 billion people, $23 trillion in economy has been pulled into the BRI, the Belt and Road Initiative that China is putting out to take over the world's economy.

So if we think that we can sit here and continue political discussions on an issue so severely impacting the future this country better take note of what is happening. These three
Thank you, Mr. Cruse. Excellent presentation.

We're going now to the legislative update. Mr. Branson, thank you.

MR. BRANSON: Thank you very much. Apologies for missing earlier. I was actually just on the phone with Senator Graham's staff just reported a little bit recently or a little bit earlier. They've actually canceled our markup for tomorrow similar to other appropriations markups which I think further underscores kind of the landscape that we're in as far as moving towards a continuing resolution at the end of September. So just to kind of set the stage for folks.

So, further to underscore that we're in constant communication with the Hill, with staff, with members speaking with them obviously about our impending reauthorization coming up on September 30.

To further underscore how we've kind
of gotten here throughout the process as many of
you I'm sure knew that there was a Waters-McHenry
bill that was crafted on the House side where it
was scheduled for a markup in July, but then it
got bumped.

And from talking with staff and
talking with others that's kind of where that
lies right now as far as being tabled.

On the Senate side there is a bill
that's sponsored by Senator Cramer and Senator
Sinema.

This bill has three reforms as well as
a 10-year reauthorization tag to it. The reforms
that it includes is a board quorum fix.

It also includes IT modernization that
would allow the bank to use more of its proceeds
or profits towards IT modernization as well as --
sorry, I'm blanking on one of the other reforms.

But I can get to that later.

But it's just a handful of reforms
there in that bill that actually they're gaining
co-sponsors. They have 13 co-sponsors. They
just added Senator Roberts yesterday so they are working to try to get momentum on that legislation.

And we'll be sure to keep folks apprised as we move forward on that.

But we're in constant communication with the Hill talking with staff and others on moving towards ensuring that we do not lapse at the end of September.

They're looking at and entertaining many different mechanisms to try to achieve that goal. So we'll continue to work with them on that.

But we have broad bipartisan support on the Hill and through the administration to ensure that we avoid a lapse. And we will do everything we can to move towards that goal.

Yes, sir.

SAAC CHAIR RUNDE: So can you talk about please what are the holdups? What are the elephants in the room that are the holdups, please, on the Hill?
MR. BRANSON: Well, as far as kind of our typical critics that we've seen of the bank on certain constituencies on the Hill that believe that the bank engages in corporate welfare, or that they really pick winners and losers, et cetera.

That is one constituency that we're working through on the Hill to try to assuage and ensure that we're doing everything we can to be -- bring integrity to the bank and make sure we do everything we can in that front.

As far as avoiding a lapse, as I said there's broad bipartisan support. So from folks that we talk to on the Hill both in leadership, House Financial Services, Senate Banking, everyone wants to go towards avoiding a lapse.

Now, the mechanism of which we get there, they're still working through those mechanics.

SAAC CHAIR RUNDE: I know that is a perennial issue, but I worry that the issues are about China and our relationship with China.
AC CHAIR PEARCE: If I could interrupt here I was talking to -- I served on the Committee of Jurisdiction and so I've still got a lot of friends there.

And they -- there was actually great cohesion moving into the markup. Then one amendment came up which caused consternation in Washington State. And so that caused the bill to be pulled and tabled for the moment.

If we can get that one piece worked out then there was great cohesion between the Democrats and the Republicans that did not exist. I was one of the Republicans who supported EXIM under the previous Chairman when the discussions bogged down so badly. And that was the issues that Ross is talking about here.

But they seemed -- the reform-minded steps of the current chairwoman have I think gotten the attention of both the House and the Senate.

And so if we can -- and so my question after making this comment, that I think that's
where the holdup was.

I think there was more movement than we'd seen in three or four years. My question, and Alejandro is actually the one who asked this to me during the break.

What can we as members of the committee do on Capitol Hill? What are our legal constraints? Can you answer that, or do we need to go to our ethics?

Yes, Lisa, if you would like to address us about that. Come on to the microphone if you would.

Anybody disagree that we ought to be working pretty seriously?

MS. TERRY: I have to apologize. I was reading the afternoon agenda and I missed the question.

AC CHAIR PEARCE: So we're asking what are the legal constraints that we face as members of the SAAC and of the Advisory Committee, what legal constraints do we have when we walk onto Capitol Hill in addressing this issue.
MS. TERRY: So that raises a question about the anti-lobbying restrictions.

AC CHAIR PEARCE: Those apply to us on the committees, or only to the board members?

MS. TERRY: Well, I'm going to have to defer to our general counsel.

CHAIRMAN REED: Can we have David Slade and Andrea come up, please, quickly to the mike?

MS. TERRY: Yes, the anti-lobbying restrictions apply to EXIM employees clearly, but it's less clear for the advisory committee.

AC CHAIR PEARCE: David, do you want to address this? Okay.

MS. BERNARDO: Hi, my name's Andrea Bernardo. I'm the assistant general counsel for administration.

The Anti-Lobbying Act applies not specifically to you. What it says to us is we can't use appropriated funds, we as an agency cannot use appropriated funds to lobby.

So, we cannot sort of assist -- that
being said we've interpreted it very cautiously.

We can't assist you in your lobbying efforts
which is to say we can't make appointments for
you, give you briefing papers, things like that.

The other part of the Anti-Lobbying
Act as a point of clarification in case any of
you are contractors has to do with government
contractors. We're not in that realm. I hope
that answers your question.

AC CHAIR PEARCE: Anything to add to
that, David? Are we all clear that we can go?
We can go in our personal capacity with no
assistance from anybody at EXIM. So don't call
them and ask for them to set stuff up for you.

But you can go. And I'm urging you if
you understand the importance of the discussions
that are going on here today I'm urging you to
take a stand and to talk to people in both the
House and the Senate. Yes.

MEMBER LISER: Personal capacity.

Does that mean individually, or can it be
something that's done on behalf of --
AC CHAIR PEARCE: You're an Advisory Committee member and you can do that as an Advisory Committee member. Can I get confirmation on that?

Yes, we are not technically employed by EXIM and we can do it as Advisory Committee members is my understanding. Is that understanding correct?

MS. BERNARDO: Well, yes. And this is where I guess -- traditionally when you use your official capacity title it should include sort of -- it's just part of your whole persona, your biographical.

So here I am, I'm a constituent, I'm a businessperson, oh and by the way, I'm a member of the Advisory Committee.

AC CHAIR PEARCE: Or the SAAC, yes.

MS. BERNARDO: Is that correct, Lisa?

AC CHAIR PEARCE: Yes.

MS. TERRY: That's accurate. So if you provide your entire bio --

AC CHAIR PEARCE: Yes. And so this is
a part of it. So you can't go and introduce
yourself as the member of SAAC or as the member
of the Advisory Committee. You've got to be
this, this and that.

MS. TERRY: You're entire biographical
--

AC CHAIR PEARCE: All right. It's
good with legal. We don't need any messes, but
we do need to be vocal. Yes.

MEMBER LISER: I'm sorry, that helps
but I was actually a slightly different question
as in would it be possible for the SAAC to write
a letter on behalf of all the members of the SAAC
saying here are our collective views as the SAAC
members on the issue of reauthorization of EXIM.

And it sounded a little bit like it
had to be individual, but not --

AC CHAIR PEARCE: The Advisory
Committee has a congressional mandate to submit a
letter. And we're going to discuss that in our
separate meetings this afternoon.

And we are including a piece that I'm
less clear myself on if SAAC can do that communication voluntarily. We'll get the legal team to look at that.

      Sorry, but I was part of the group that made those laws. Yes, we want to comply, but also want to -- we did not want to stay so far inside the safe zone that we're ineffective.
      Effectiveness needed right now.

Harvey.

      MEMBER TETTLEBAUM: So how much communication is being done with all those constituents that we heard earlier about who value the bank so much in terms of their own businesses?

      So how much information is being disseminated to those folks just to inform them of what the situation is so that they can make decisions on their own part.

      Because it seems to me that the support appears coming from the grassroots business community, the more effective it might be.
AC CHAIR PEARCE: That's -- that point is well made. Chair, would you care to address how much communication is going on to the constituency of the EXIM? You're talking about the customers of the EXIM.

CHAIRMAN REED: So, I'm going to be very legal here and I am not allowed to lobby for our reauthorization. I do not do that.

But I do meet with all of our stakeholders and communicate with them about what we're doing. And it's up to them to take their own steps.

AC CHAIR PEARCE: If you all were to communicate with your individual industry groups, feed it up the chain and the chain feeds back down.

I'm just telling you that if we're going to be a member of this committee we need to decide how we're going to be most effective.

So I've got one question over here. Yes, Joanne, and then I'll come to you.

MEMBER YOUNG: In the event that
there's a continuing resolution how is that going
to affect EXIM?

AC CHAIR PEARCE: Well, the continuing
resolution is just -- it simply continues the
funding of it at whatever level it was for the
next period of time, the time of the continuing
resolution.

It's a way to get it done, but it is
not the appropriate way to get it done. The
appropriate way is to get the full
reauthorization done and that way there's no
question.

Because the continuing resolution only
continues for a period of time stated in the
heading of the continuing resolution.

MEMBER YOUNG: Right, I understand,
but will that be the funding that you're
operating under now?

AC CHAIR PEARCE: Yes, it would extend
on the funding. It continues exactly what is
going on today. You can't change the language,
you can't change the purpose, you can't change
anything.

So the reauthorization, maybe even the
name changes is a question. Richard.

MEMBER ROGOVIN: I would like to help.
I would like to do something. And I've been
pretty prolific in the past.

But I don't have a clear understanding
of what the issue is. I mean, what is holding
this up? I haven't heard a clear explanation of
why this is not going forward.

AC CHAIR PEARCE: Again, so you
imagine you've got 60 or 70 members of a
Financial Services Committee and Maxine Waters is
the chair of that. Representative McHenry is the
ranking member of the Republican on the
committee.

He evidently put an amendment in that
would have had some effect, and I'm not even sure
of what, maybe on ECAs, I don't know exactly.

Then that alarmed one of the Democrats
who had previously been onboard from Washington
State. And he began to raise questions.
And it's at that point that Maxine just decided to pull the consideration of the bill.

I don't think in the overall scheme of things that it's a major point, but it was enough so that Maxine just didn't want the political turmoil inside her caucus. Is that kind of clear?

As clear as -- I mean, this stuff gets very nebulous. The chair will tell you, he's the one who had to juggle everything to try to get enough votes on the committee to move it to the floor.

You've got to have a majority vote in the committee to get it to the floor, but you also have to have cohesion of your own caucus. Sometimes that happens, sometimes the cohesion breaks down. And so chairs will elect to pull a bill just to maintain the cohesion, to say that we're all going to get onboard or none of us are going to be onboard.

That's where -- my impression of the
process is that that's what happened. It was moving along with pretty good consent on both sides until that came up.

MEMBER ROGOVIN: So it would appear that China has entered into our legislative process.

AC CHAIR PEARCE: I don't know about that.

MEMBER ROGOVIN: Not intentionally.

AC CHAIR PEARCE: I think -- I don't think that it was that -- I don't think China was that big a piece of it. I can get more clarity on it, but I don't think so.

I think it was a different kind of foundational question. That's my assumption.

Okay, we've got to move on. We're at the point to where we're going to have a working lunch.

We've kind of worked into that period of time. I think this discussion was desperately important and so we did that.

So I'm going to ask you to go next
door, grab your lunches and bring them back in here and let's get reconvened as soon as we can.
The last time we drifted through the break. Please don't do that this time. In and back.

(Whereupon, the above-entitled matter went off the record at 11:29 a.m. and resumed at 11:38 a.m.)

AC CHAIR PEARCE: We're going to go ahead and get started here. Okay, if we could have everyone in the back take their seats. Mr. Jamal.

MR. WARE: All right.

AC CHAIR PEARCE: Senior advisor on national security, EXIM. And we're going to have this discussion on China at this point, a huge discussion. So Jamal, you've got the floor.

MR. WARE: Okay, excellent. I want to thank you, Chairman Pearce, and thank Chairman Runde for convening us here today to talk about the very important topic of China and the United States.
And so it's going to be a working lunch conversation. The title is U.S., China: A Competitive Landscape: Economic Security is National Security.

My name is Jamal Ware and I'm the senior advisor for national security in the Office of the Chairman.

As it was noted earlier I am the first to hold this position. It was one of the reforms done by Chairman Reed. And I'm honored that she chose to select me.

Quick background. I'm a longtime national security staffer having done a number of years on the House and Senate Intelligence Committee as well as at the Office of the Director of National Intelligence before I came here today.

I'm going to be joined today in presenting by Larry Goodman who's on our EXIM Advisory Committee. I know you all have had a chance to meet and talk.

He's the president and founder of the
Center for Financial Stability and he's going to provide an update on China's economic activity.

Next after that will be Dan Runde who's the chairman of the EXIM Sub-Saharan Africa Advisory Committee.

He's a senior vice president at the Center for Strategic and International Studies. He's going to provide an overview of China's recent activities in Africa and other parts of the world.

And then I'll be joined here at the table here at the end by our own in-house legend Jim Cruse who's the senior vice president in our Office of Policy Analysis and he's going to give an overview of China's export credit agency.

So as you enjoy your meals just a little food for thought for you here today.

So I'm going to start this conversation off by saying that Chinese leaders have an integrated view of the relationship between the military and the strategic, economic power and diplomatic influence, and science and
technology.

And while the American public may see China as very overt and very ruthless in how they exercise power I think it's very important that we understand that the Chinese are very strategic in their thinking and that they are engaged in a very long game with the United States.

They have identified industry and infrastructure of all kinds from physical things like roads and ports to institutional seats such as key leadership posts on multilateral organizations as the central geostrategic terrain that they need to either block the United States, contest us, or ideally take control of themselves.

I'm going to call up the first slide here. This first slide provides sort of a simple overview of the Chinese Belt and Road Initiative.

And I'd be remiss if I didn't note that at this very moment while we are speaking here in Hong Kong the Chinese are having a Belt and Road Summit where they expect 5,000
government officials, over 80 speakers. They have 100 exhibitors and presenters there.

They're going to be talking about nearly 230 investment projects here over the next couple of days. And that started literally on the same day as we are having this conversation here now.

MEMBER YOUNG: Did you say in Hong Kong?

MR. WARE: Yes, it's in Hong Kong. So we're going to stay on that slide, I'm sorry.

China's Belt and Road Initiative is a prime example of their focus on industry and infrastructure projects designed to increase global dependence on them.

The Chinese export credit agencies are actively involved in the Belt and Road Initiative. I'm sure Jim will talk more about that.

But research by our own Office of Policy Analysis has shown that since the beginning of this initiative the China Export-
Import Bank alone has participated in more than 1,800 projects with a value in excess of $145 billion U.S. dollars. So think about that number as you're eating.

Beyond China EXIM China's other export credit agencies such as Sinosure and the China Development Bank along with its big four state commercial owned banks are involved in providing financing solutions for a broad range of belt and road initiatives around the world.

It is important to understand that the Belt and Road Initiative was initially presented as an economic project, a long-term strategic goal of the Chinese.

There was no immediate tie between Belt and Road and the Chinese military though that was always an underlying suspicion.

But last month in a first-time admission the head of the Chinese military, their defense minister Wei Fenghe made a direct link between Belt and Road and the Chinese People's Liberation Army.
He stated at a conference they were holding in Beijing the Chinese military is ready to deepen mutual trust and consolidate friendship with the militaries of the Caribbean and the Pacific countries under the framework of Belt and Road.

And again this is the first time that a senior Chinese official has acknowledged that there is a direct military link between Belt and Road and what the People's Liberation Army is doing.

Further underscoring this point, in May the Department of Defense released its annual report on China where they noted that China's advancement of projects such as One Belt, One Road will probably drive Chinese basing decisions through a perceived need to protect their Belt and Road investments.

So in some regards we can say the Chinese are ahead of us. And you see that as demonstrated by this Belt and Road Initiative which has brought about a whole of government
approach to their strategic thinking, what is motivating them, what they are doing and is leading the foreign relations and the military decisions that are being made by the Chinese government.

In those areas where the Chinese are behind us though I would note that they actively seek to catch up through means such as investment and purchase and outright theft.

They are highly skilled at the strategic and tactical use of deception and they incorporate it into almost all lines of effort.

When it comes to attempts to acquire technological power or advantage the Chinese do not give their own best and brightest the chance to opt out of their system.

Instead they will bribe or coerce them wherever it is possible to help build the power of the People's Republic of China.

This includes people who have recently immigrated and it certainly includes their students and researchers who are studying abroad
including here in the United States.

And I want to emphasize that the overwhelming majority of the estimated 350,000 Chinese students who come here to study every year are not involved in espionage or cyber activities.

The majority of Chinese tourists are obviously not involved in that.

But where the Ministry of State Security senses an opportunity or a chance to leverage a Chinese national they will not hesitate to seek out that person to pursue their aim.

And I'll talk about Dr. David Smith. He's a leading researcher at Duke University. Some of you may be familiar with this case, but he's an expert in what's called metamaterials.

He created a metamaterial that basically was described as an invisibility cloak which was highlighted recently in a story by -- well, last year in a story by NBC News in a report that they did looking at intellectual
property theft.

The U.S. military spent millions on Dr. Smith's research because they think it will provide great advantage for our troops obviously in the future.

One of Dr. Smith's students, a young man who had come over from China named Ruopeng Liu became a protégé of him, earned his trust and ultimately got his permission to bring other Chinese researchers into the lab.

And one day when he was not there these researchers photographed and took samples of his invisibility cloak. And to be clear about invisibility, it blocks ultraviolet rays. It doesn't actually turn you invisible.

But they actually took pictures and samples of that and quickly went back to China.

The FBI did open a case into Liu and his activities at Duke, but they ultimately had to drop the case due to a lack of evidence.

Even Dr. Smith says that he had good explanations to explain away his activities.
It is worth noting now that Liu is a 35-year-old billionaire and tech magnate in China who has a replica of Dr. Smith's invisibility cloak on display in the lobby of his office building.

A report released in 2017 by the National Bureau of Asian Research estimated that the cost to the U.S. economy of Chinese intellectual property theft is $225 billion annually and could be as much as $600 billion. That's in counterfeit goods, pirated software, theft of trade secrets. So we're talking a massive impact on the U.S. economy.

William Evanina who's America's top counterintelligence official summed it up thusly. They hit our academia, our industry, our research and development, and obviously our government.

The FBI has arrested double digit individuals related to Chinese espionage in the last year. All, all these people were spying for China.

He went on to add in an interview that
he was doing with CBS that, "This is 1,000 persistent grains of sand.

"China is number one existentially, long-term. They're the largest threat to our national security bar none. It's not even close.

"They bring ungodly resources that we can't handle right now." And that's a direct quote from him.

I'll also mention to you that the Chinese target more than their own diaspora. They have attempted to recruit Americans studying abroad.

In a case highlighted by the FBI as a cautionary tale the Chinese recruited and paid $70,000 to a student named Glenn Duffie Shriver who had spent a number of years studying in China and becoming fluent in Mandarin.

They paid him this money to apply for sensitive jobs at the State Department and ultimately at the Central Intelligence Agency.

When Duffie was arrested he was in the process of being in-processed and onboarded at
CIA at that time.

He admitted that his motivation for doing this was money and fortunately he was caught and did plead guilty to his crimes.

But once again that shows you how far they're willing to go to actually try and recruit an American and then send him back to the United States to apply to our own CIA. Again, think about that.

Beyond the widely known cyber and espionage activities that have helped facilitate Chinese advances the Chinese are also making strategic investments in their own technological and manufacturing capabilities.

The Made in China 2025 strategic plan announced by Li Keqiang aims to replace imported and acquired technology with Chinese technology and goods.

They have a goal of having 70 percent Chinese content in all of their domestic materials by 2025.

Made in 2025 focuses on information
technology, robotics, aerospace. It also has military applications as the Pentagon points out noting that it directly supports Chinese military modernization goals and stressing the proprietary dual use nature of many of the technologies that this program is working on.

What China lacks in technology they make up with for patience, geographic location. They not only project power with their military, they use their coast guard, they use their fishing fleet, non-traditional ways.

And then they turn nominally private assets to state good and that's what the U.S. government is assessing is happening with Huawei.

By and large the Chinese do remain focused on their own neighborhood. Taiwan is the main strategic direction.

They feel that we care less about this area and if we're being honest they may be right. I don't know when the last time anybody at this table was having a nice glass of merlot and talking about the South China Sea, or Taiwan, or
freedom of navigation operations. But that remains their focus.

But in their political and military strategic culture deception and winning without fighting through intelligence operations, through psychological warfare, intimidation, threats of escalation represent sort of the acme of their skills and the best strategy.

It is worth noting that the Chinese have built the world's largest military without having fought a war since 1979.

I'll mention one last item here of strategic note which I think is important to mention in this room and that's the recent openings of Chinese military bases in Djibouti and its secret lease of a naval facility in Cambodia.

Though they are not fighting a war the Chinese are actively seeking to expand their military network.

And this deal which was first reported by the Wall Street Journal in late July in
Cambodia will give China a base on the Gulf of
Thailand from which they can encircle their
neighbors in southeast China, exercise greater
control over the South China Sea which is a
priority for our Pacific command as well as also
exercise greater control over the Malacca Strait
which might be involved in any Thailand scenario.

The Journal also pointed out that this
facility is not too far away from an airport
that's being built by the Chinese in Cambodia
with a runway that is almost two miles long.
So it clearly has military
applications since you don't need that length for
commercial jets.

This airport is going to be the
largest in Cambodia. And it's worth noting,
you'll find it funny, it's not near Phnom Penh or
any major city or hub in Cambodia. It's in a
national forest in a province with 200,000
people.

Lastly, I have to mention the Chinese
naval base in Djibouti. Can we switch to the
Africa slide real quick?

The Chinese naval base in Djibouti.

This is the Chinese first actual physical overseas military installation.

This base is a short six miles from Camp Lemonnier, a place I've visited many times myself.

It gives the Chinese the ability to spy directly and monitor U.S. activities at Camp Lemonnier and it's also given them the opportunity to engage in a little bit of mischief.

Last year the Department of Defense had to demarche the Chinese over a series of -- an escalating series of lasering incidents where they were shining lasers at our planes that were coming in to land at Camp Lemonnier.

So, with that I'll just say what is to be done. What can EXIM do.

In my short time here I can tell you I've personally heard from foreign leaders and businesses about the importance of EXIM being
fully funded and fully functional to the success of their business ventures in new and emerging markets and across the globe.

I have heard directly about the importance of the presence of U.S. companies and trade with our great nation and the power of us just being present in many of these locations.

I'd say in this regard to the extent that EXIM promotes the exports of U.S. goods and services overseas EXIM is a clear and important instrument of economic statecraft that can be used to help level the playing field for American job providers and workers in what will be a long-term strategic competition with China.

It's for this reason I think Chairman Reed is absolutely right when she says that economic security is national security.

And with that I would like to welcome Jim Cruse, again our own in-house legend. Jim back there -- to talk further -- oh, I'm sorry, not Jim. Sorry, Jim. I jumped the gun there. I'm going to turn it over to Larry
Goodman who will provide a presentation on China's economic activities.

MEMBER GOODMAN: Yes. It's a pleasure to be with you all today to talk about these important yet highly complex issues.

And what I'd like to do is put within the context of the competitiveness report a number of the economic and financial issues.

By the way, the competitiveness report was exceedingly well done. It was a pure pleasure to read.

For decades trade promotion has rested at the heart of China's strategic economic policy mix and development strategy.

This contrasts in many different ways with other development strategies that have been focused more on imports or on macroeconomic stabilization. So China has pursued a unique path.

And what we've seen in recent years are palpable changes.

The competitiveness report very nicely
outlines -- and a number of the discussions that we heard this morning, very nicely outlines how the ECA world has changed and changed dramatically. What I will talk about is how trading patterns and global macroeconomics have also changed dramatically in recent years.

One of the phrases that I really liked in the competitiveness report was a quote unquote, "whole of government approach."

And what I'd like to do is dig a little bit more deeply in terms of how I would interpret a whole of government approach.

There are four factors that are worth thinking about. There are four tools for exporting that are worth thinking about within the context of China.

They include, first, currency. Second, a category that I would lump and bunch as tech, cyber theft and IP infringement. The third category are tariffs. And the fourth category is credit.
In this case in examining these tools China and the evolution of China has been a moving target.

The process is highly dynamic. So what I would like to do is go through each one of those four categories briefly and see where we are, see what's changed over time.

First, currency. Much has changed since the WTO. Much has changed since China joined the WTO.

When China joined the WTO the exchange rate was undervalued. Then the U.S. dollar appreciated. And then we had a massive depreciation of the U.S. dollar with China being tied -- with the Chinese renminbi being tied, the value of the Chinese renminbi depreciated substantially.

And by the time we got to the introduction of Graham-Schumer legislation in the mid-two thousands the Chinese currency, and I've looked at a lot of currencies and a lot of foreign exchange situations.
At that point in time the Chinese currency was not only undervalued, it was massively undervalued.

So the idea of putting forward a 27 and a half percent uniform tariff actually when you looked at mathematical and economic models, that was a pretty good number.

Our estimate at the time was about a 30 percent undervaluation of the Chinese exchange rate which is a big, big undervaluation.

The third point in time that we've seen in the evolution of the Chinese exchange rate has actually been a relative success and that is policy changes that have been promulgated.

The U.S. was actively engaged in discussions with China about currency reform. Big success.

Also, a sidebar to that is that it was in China's interest to change its currency policy.

When you looked at the flows in and
out of the People's Bank of China it was clear
they had to move.

So what have we had in the interim?

We've had a currency that's come and drifted back
to equilibrium.

So where are we on the currency front
today? We're in rough equilibrium. The Chinese
currency right now from a valuation perspective
is not a big issue.

The second one relates to tech, cyber
theft and IP infringement. This is something
that we could talk about for the entire day.

This clearly remains an issue.

Third, tariffs. There have been big
changes on the tariff front.

In 2001 when China entered the WTO the
average Chinese tariff was 14 and a half percent.
The European Union tariff was 3 and a half
percent and in the United States we were down at
2.3 percent.

Over time there has been a merging,
but there's still some work to be done.
And China, the last numbers from the World Bank show an average tariff of 3.8 percent, in the EU 1.8 percent, and in the United States below that at 1.7 percent.

In terms of credit the competitiveness report again nicely outlines it as do the discussions.

It clearly illustrates how the United States has lagged.

So what does this mean in terms of trade flows? What I'd like to do is illustrate how trade flows have also changed since the WTO and I'd like to illustrate some challenges that are palpable and have occurred where these policy asymmetries have had an impact and created essentially a lopsided trading system.

When you look at the importance of Chinese trade with varying countries, and I've specifically looked at Germany, Japan and the United States, the penetration has been unbelievable.

In other words since the beginning of
WTO the impact of Chinese trade on Germany has increased by five times.

The impact of Chinese trade on Japan, increased three times. The United States, three times. Big, big impact.

In contrast, when we look at the impact of U.S. trade on that same mix of countries we see something very different since the WTO.

We see the impact, the importance of U.S. trade on Germany, about the same. The importance of U.S. trade on Japan, about the same.

The importance of U.S. trade for China, guess what? Fifteen percent lower than when they entered the WTO.

So this says in a pretty resounding way that there's much more that the U.S. can do. It also says in a pretty resounding way that there are opportunities for the United States to diversify trading partners.

So in sum when we go back to this idea
of a whole of government approach for leveling
the playing field, or helping to reverse a skewed
trading system two major tools exist.

One is the tech, cyber theft and IP
infringement. And the other is credit, exactly
what's happening here at EXIM. I'll leave it at
that.

MR. WARE: Thank you very much, Larry.
We're now going to hear from Dan Runde. He's
going to be making remarks on China's involvement
in Africa.

SAAC CHAIR RUNDE: Thanks. So this
isn't 1995 anymore. So the arguments that we've
made about the EXIM Bank against -- my view is,
my friends who have argued against the EXIM Bank,
if they don't have an answer for China eating our
lunch then it's not a thing. So that's the first
thing I would say.

And I think we also though, I'd say
another point is our political dysfunction in
this country.

In 1995 we could tell the world hey
everybody, we need a timeout because we're having
a political dysfunctional moment. So we're just
going to hit pause on the IMF. We're going to
hit pause on the EXIM Bank. We're going to hit
pause on the World Bank.

And we just need a year or two or five
to work out our mess. And you just kind of wait
for us. That's not going to work anymore.

So, our dysfunction has consequences.

So for example, there was something called IMF
quota reform which I think my friends who are in
Congress, it's a very obscure topic, hard to put
on a bumper sticker.

But there were 20 members of the G20.
Nineteen of them approved IMF quota reform. We
did not for five and a half years.

The Chinese said you know, I've got $2
trillion in the bank. I've this thing called
voice -- I'm not getting enough voice and vote in
the IMF.

So I'm going to create this thing
called the AIIB. So I think every member of
Congress knows what the AIIB is. They don't like it, but they know what it is. It's the Asia Infrastructure Investment Bank.

It's basically a competitor to the World Bank. It's a direct result of our dysfunction around IMF quota reform. That's a direct result.

So if we decide hey, we're going to pull a Rumpelstiltskin on the EXIM Bank. We've got some political dysfunction so we're just going to go to sleep for four years.

A little bit to what Jim Cruse is saying. People are going to say excuse me, I've got other options today. I'm going to go to the Brits. I'm going to go to China. I'm going to go to the French. I'm going to go to the Italians. Like I'm not going to wait for you guys to work out your issues.

So this is not 1995. That's the first point. So our dysfunction isn't just like wring our hands. There's actually geostrategic consequences to our dysfunction and we have in
essence operated as if -- our dysfunction has no
cost. It has a cost.

The second point I want to make is
that no one wants to be a full on vassal state of
China.

I visit about 15 countries a year.
Pakistan, Kazakhstan, Indonesia, I was in
Indonesia last week.

The Indonesians say please don't
leave. Please, America, don't leave. But please
don't ask us to choose. Please don't leave and
please don't ask us to choose. And I hear it all
over the world.

So ultimately we want them to choose
us, right. We want them to pick sort of the
offer set of the West and the United States, but
we've got to show up. We've got to have the full
-- we've got to have an updated toolkit.

We're operating with a VCR version of
the EXIM Bank and we need a Netflix version of
the EXIM Bank. So I know that Chair Reed and her
leadership, we're going to get there, but that's
what we're going towards.

But ultimately we have to enable alternatives to China. This is not your grandfather's and grandmother's Africa. It's richer, it's freer, and it's more capable, and it's got a hell of a lot more agency.

There are cohorts upon cohorts of very capable and educated folks who you know what, if we're not there they're going to work with China. They don't want to just work with China. They want to have options, but they're going to work with China. So we've got to enable an option. We've got to enable alternatives.

So let me just go through some other things about Africa. Africa is a billion people. In 30 years' time it's going to be 2.5 billion people.

There's going to be more people in Africa than China and India combined. Let me repeat that. In 30 years' time there's going to more people in Africa than China and India combined. Get your brain around that thought.
It's not something we think about. It's going to be an enormously big deal.

It has a growing middle class that's going to spend $2 trillion over the next six years. Two trillions. That's the African middle class.

There's hundreds of millions of cell phones right now, not in the future, right now on African continent.

We need a reauthorized EXIM Bank and an updated EXIM Bank for us to play in this huge opportunity.

So let me just give you a couple of other facts. In the year 2000 of 48 sub-Saharan African states there was one state where China was the number one trading partner. In 2017 there were 19 of 48 states where the number one trading partner was China.

So two-way trade. China has three times the amount of two-way trade with Africa than we have. China has three times the amount of two-way trade with Africa than we have.
We need to reframe Africa not as a continent of bad news and problems, but as an economic opportunity.

The Chinese do not see Africa as a problem, a problem to be managed, a continent to be saved. They see it as a business opportunity.

The New York Times, someone did a study of news articles in English in the New York Times, and I'm using the New York Times as a proxy. Twenty-seven thousand articles over a long period of time about Africa in the New York Times. Twenty percent of them were positive, 80 percent were not.

So you get a steady diet in English of everything is bad. Well, it ain't. It's a big continent and it's going to get bigger. And so we need to reframe it.

A couple of other statistics. Xi Jinping has made two visits to Africa. His first visit as head of state of China was to Africa. His first visit when he was reinstalled was also to Africa.
There was a calculation of the most senior officials of China, the number of visits to sub-Saharan Africa was 79 visits between 2007 and 2017.

So let me repeat that. Of most senior officials from China to the continent of Africa, 79 visits. I haven't done the rack-up on our country, but we may want to take a look at that. I worry about what the number is, but we're going to collectively help to improve that number with this group.

So, I would just say -- oh, and one other thing. The Chinese have hosted three head of state summits with all African heads of state. Three head of state summits in the last 10 years where every African head of state has come and the Chinese receives every single one of them.

The Japanese have done something similar. The Japanese Prime Minister set aside 8 and a half hours in 10-minute blocks and received every single African head of state for 10 minutes. So think about that. I'm going to set
aside eight and a half hours. I'll receive every
single one of you. Warts and all. Some of these
cfolks, some are great, some are not.

So thankfully the Trump administration
is building on the work of starting with --
bipartisan Republicans and Democrats in Congress
since the Clinton administration, the Bush
administration, the Obama administration on any
number of different initiatives in Africa has put
forward an excellent initiative called Prosper
Africa which the EXIM Bank is going to be a
critical component of. So we need a fully
functioning EXIM Bank.

But my message to us is this is not
1995 anymore. They are eating our lunch. We
need a fully functional EXIM Bank. We need a
fully present EXIM Bank and then we need not the
VCR version of the EXIM Bank. We need the
Netflix version of the EXIM Bank. That's it.

Thank you.

MR. WARE: Thank you so much for that,
Dan. With that now I would like to invite Jim
Cruse to join us at the table.

MR. CRUSE: Okay. I'll try to bring all of this back to what we can do about it.

First, keep in mind that what we're dealing with with the Chinese ECAs which is the topic of my little discussion is not really what you're used to looking at here which institution, it's broadly consistent with the international economic affairs of the country.

But rather you're talking about an industrial policy with an attached export credit institution.

There is not much at all about the Chinese ECAs that's different except that they are very, very policy-oriented.

Most importantly what is that policy. You've heard all the big picture stuff that's going on, but in essence they're not trying -- this is not Nikita Khrushchev pounding his shoe on the UN saying we're going to overcome you.

This is a simple statement by the Chinese that are trying to build an alternative
world order. Alternative world order. They're not trying to beat ours, they're not trying to join ours, they're trying to create an alternative one which is state governed, state-oriented, top down as opposed to the democratic one.

And what we are in, and the export credits are a key part of this because they are the spear of that policy. They are the point of the spear.

And there are four aspects of the Chinese export credit that make this very powerful.

The first one is its scale. If you can read that chart there's basically -- we have been able to count something in the neighborhood of $130 billion of something like export credit activity coming out of China in one year.

We can't confirm it. It's not the number we use when we officially compare, but it gives you a sense of something in the neighborhood of 100 times what the total U.S.
government would be spending on export credit.

The second aspect of this that's important is the scope. There is nothing like having a full menu available to you when you're trying to promote exports.

And what the Chinese have within their ECAs is everything under the sun. They have tied aid, they have export credit, they have concessional, they have preferential, they have untied, they have investment insurance. They have it all under one roof and they have it all in massive scale.

This is just an example of the different types of tools, different windows available for anybody that wants to shop in the Chinese area.

The other two aspects of the export credit system that are critical is one the opacity, opaqueness, whichever you choose, which means that they tell you very little about what they're doing.

And they go to great lengths to keep
everybody hidden. If anybody reveals the terms they make it difficult for that entity.

The third one and this is critical to how we deal with it is it's unconstrained. Because you think about it, they have often talked about macroeconomics. You can't have fast growth, easy money and low inflation at the same time. You have to choose.

Well, in the ECA context you can't have an industrial policy, an independent ECA and a rule of law discipline such as the OECD arrangement.

So given the fact that the Chinese are devoted to their industrial policy and to their export credit agencies as a tool of that policy then you get a sense of why they're so resistant, absolutely resistant to the aspect of negotiating, joining a set of disciplines and rules because that would be totally inconsistent with what they're trying to do.

So know your enemy is one of the first advocates of battles and I think here we have to
I understand what we're dealing with.

Now, how did the Chinese get to this point? They started back around the turn of the century by restructuring their whole export credit mechanism.

Their chairman at the time put out a principle that was called Going Out. They had recovered from the Mao days. They had a working economy and now they needed to go out. And so go out they did by restructuring their ECAs.

They created two official ones and one unofficial one. The two official include the Export Credit Bank of China which does direct lending on term. And it is the real point of the spear. It is the one that goes out and when there's a mandate they go out and put the spade in the ground and dig the hole and create an opening for Chinese commercial entities to follow.

They do perhaps $20 to $30 billion a year in some of these various programs.

Then you have Sinosure which is the
Chinese export credit entity. And they're the
good cop to China EXIM's bad cop.

Sinosure joins international
organizations like the Berne Union. They will
attend conferences. They will undertake
everything.

Now, keep in mind that they are of a
size that dwarfs the imagination. In this past
year Sinosure issued short, medium and long-term
insurance in the neighborhood of half a trillion
dollars. That's right, T, trillion.

SAAC CHAIR RUNDE: How does that
compare to us?

MR. CRUSE: We were at $300 million,
$300 million being long-term, $3 billion total.
So they did $500 billion --

SAAC CHAIR RUNDE: They did $500 and
we did three.

MR. CRUSE: Yes.

SAAC CHAIR RUNDE: Okay. So they did
$500 and we did three.

MR. CRUSE: Yes.
SAAC CHAIR RUNDE: How about all of OECD? How many OECD? You've got all the guys in the West.

MR. CRUSE: Well, they didn't do in total $500 billion.

SAAC CHAIR RUNDE: Is it $100 billion?

MR. CRUSE: Counting short-term insurance it would be closer to perhaps $200 or $300. But you're getting twice as large as the whole OECD. But that gives you a sense of the scale. But this is the entity.

And the third one is called the China Development Bank that does -- it's their official development institution. It also does a lot of export credit looking like activity.

So the point is those three entities exist. They're out there doing massive amounts of business every year. Policy-oriented, follow-on business.

And over the past 20 years because they started in roughly 200. Nobody noticed them. In three periods, in 2000-2007 they
built up their expertise. They practiced in Africa. They went there first and figured out how to do business and how to do things right.

Then came the financial crisis and China actually did the world a favor. It spurted during the financial crisis when everybody else was contracting.

As part of that spurt was their export credit agencies. And by the end of the extended period there as you can see the red line is China, how about that. The blue line is the G7. This is medium/long-term export credits.

And you can see the OECD came down from its financial crisis boom when they had to respond to the private credit withdrawing everywhere, came down to more normal levels. The Chinese kept going.

And so by today the Chinese do as much medium and long-term credit as the rest of the G7 combined. That just gives you a sense of how they have grown.

As part of this they developed the
capacity to help individual companies become
great. Huawei was their big example in the years
after the financial crisis.

And so in the past few years they have
turned one more screw in the system is that as
part of this attempt to develop an alternative
system they have become absolutely profligate in
supporting the One Belt, One Road and the Made in
China 2025.

This is some of the stats that Jamal
mentioned earlier. You can see that the period
of time China EXIM Bank doing $20 billion for
Belt and Road, $100 billion for 2025.

Sinosure has done $500 billion for
Belt and Road over the past five or six years.
China Development Bank another $18 billion.

So, they are a critical facilitator of
all the things that you've just heard China is
trying to do, those two major strategies.

And those strategies are an attempt,
one, to gain control of transportation lanes and
methods of shipment.
And the other one is to dominate the world's industrial policies. And the ECAs are a major facilitator.

Now, what has been the response of the U.S. government? Besides making economic security part of national security since that time in 2017 EXIM Bank has been invited to more NSC meetings than I've known about in my previous 40 years at the bank. And that's meant half the people in the bank have had to get security clearances because everybody at the NSC is working to try to come up with ways to out-flank, parameter, constrain what the Chinese are doing.

And the bank in almost every case is a big part of that, or could be, would be if indeed we were to get reauthorized and given authority.

And so what I end with saying is that you have a country that is trying to become an alternative system and a model for an alternative system.

Their ECAs are an integral part of
that attempt. The U.S. government is creating and crafting ideas that would flank and constrain that activity, and the bank is intended to be a major player in many of those efforts. But it can't get there without a reauthorization. It can't get there without flexibility and authority. And that's where we sit today.

MR. WARE: Okay. Thank you, Jim. With that -- we're kind of tight on time.

AC CHAIR PEARCE: If you will hold your position there. We're going to go into a short period of questions. We've got till 12:45, actually probably about 12:42 and then we're going to break into two separate groups.

So let's go to Q&A for the panel.

Yes, sir.

MEMBER WORKS: Yes. The Secretary of State announced the Indo-Pacific Strategy about a year ago.

There's a new program called the Asia EDGE, economic growth through development through
energy. That is clearly designed to counter China.

And U.S. EXIM Bank is one of the whole of government agencies that should participate in that. Is that part of your strategy as well?

MR. CRUSE: It's part of what we've been invited to do. And we attend those meetings regularly.

MEMBER SULLIVAN: Drawing on the VCR/Netflix analogy --

SAAC CHAIR RUNDE: The Runde analogy.

MEMBER SULLIVAN: Companies like ours, we're concerned with a bit of a Rip van Winkle effect, that there's so much political gridlock with respect to EXIM's mandate that even if it does get a 10-year authorization what does EXIM Bank look like?

Because China has not only served its own interests, but it's created a sense of desperation among European policy leaders who are now converting their ECAs into these muscular national industrial policy strategies.
So what can we do when we can't even get something to the floor? In terms of policy to compete with concessionality, some of the other tied aid, some of those things that we're certainly not able to do with EXIM Bank.

Because I think I heard earlier someone mention that okay, great. You might be reauthorized. We have a quorum now. But I still have to make plans for five years in the future and I've already moved my manufacturing to Canada, the UK, or elsewhere.

I've got to be sure that this is going to be a policy that's competitive. Because even if you have quote unquote "financing" or a guarantee lined up certainly our company's experience is that you're really battling against nations.

When we're in certain African settings where we're pitching deals they're not even mentioning company names. They're saying the French are here, the Brits are here.

So we have to have the same tools
within the EXIM Bank framework that they do. And I know there's not a lot of transparency to that product range, but there's a lot more flexibility that we're hearing with UKEF, with some of the other export credit agencies.

And a lot of these folks are sitting second chair with heads of state going into countries and just signing loads of deals.

So, this is our experience. People aren't even using company names anymore. When you're basically being told we love your product, but the French are here. I mean that's absurd, but that's where we are.

So, in the midst of these battles over the six bullet points of reform will we be hamstrung to a point where we've woken up to a brand new world and we're alive again, but we're running and everybody else is in automobiles.

AC CHAIR PEARCE: Let me kind of fine-tune that if you don't mind, the question.

So, we've all heard and I share the viewpoint, I've expressed the viewpoint in this
meeting that China is remaking the world trade.

It would be easy for us to assume and even convey the idea that there's nothing that we can do about it.

What are the strengths that we bring to the table that given the shortcomings of our processes, given the shortcomings of the mission and the way that the mission has been stop/start, what strengths do we bring to the table?

MR. CRUSE: I can try that. First of all, I would say that Congress has given us the power to be very powerful. What it has not given is instructions to be very powerful.

Within our charter we have all the programs. We have tied aid. We have concessional. We have lines of credit. We have a lot of things that we can bring that other ECAs can't, not the least of which we just did a $5 billion case.

There are very few ECAs that can do a $5 billion case. So we do have strengths. And we have latent strengths as well as active strengths.
What we need to find out is what comes out of this reauthorization. If it comes out in one form which encourages us to use the latent powers that we have, although we don't have many of the tools that others do, we have some that very few else do.

And we can use the tools we have to compensate for the ones we don't have if we have the flexibility and the guidance to do so. So it's not an impossible task.

AC CHAIR PEARCE: I understand, but from my listening to you you're addressing the microscopic views of policy and authorizations.

I think we've got more to offer than that, but it's on the big view, the global view. Dan, I don't know, I'm going to task you to come in and answer the question.

SAAC CHAIR RUNDE: Sure. So, thank you, sir. I'd say a couple of things.

I think one is we follow the Marquis of Queensberry Rules that Jim was referring to earlier. We helped set up the rules of the road
for globalization after World War II.

The OECD is sort of the club of rich democracies and they're sort of the Major League Baseball Commission of ECAs, but they're also the Major League Baseball Commission of a whole bunch of other things, foreign aid and other sorts of rules of the road.

So we bring values. We're not corrupt. We bring global standards. We bring state of the art technology.

And as I said earlier, I don't know a single country that wants to be a full on vassal state of the Chinese. I haven't met a single one that says when I wake up in the morning I just want to have a neocolonial relationship with China. That would be my ideal dream.

So I think they want alternatives. So some of it is just us being present. Some of our value add is just being present, just showing up.

I think Prosper Africa is a good start which the Trump administration is committing to double trade and investment with sub-Saharan
Africa over the next five years. I think that's a very good start.

We can only do that in my mind with a Netflix version of the EXIM Bank. I'll stop there.

CHAIRMAN REED: And I would just like to add that I've heard loud and clear. I want to praise Jim Cruse. He's been with the EXIM Bank for 49 years and he is the father --

(Applause)

CHAIRMAN REED: We're the only country in the world that does this report and they plagiarize it because we go to conferences and they're citing this wonderful organization's work.

But we're the one that try to bring transparency to the process. But Jim made sure I got on a plane and went to China. Within five hours of getting confirmed and sworn in I got a visa and that was amazing.

And I heard -- and I flew economy, yes. But I've heard loud and clear the world
loves made in the USA products. And so that is
how we compete first and foremost is we make the
best products in the world.

And they also like the full faith and
credit of the United States behind those
products.

AC CHAIR PEARCE: And so I want you in
your minds as members of these two committees to
balance this out that yes, the obstacles are many
and the competition is great, but we offer
something that they can't offer.

And Daniel said it best. We offer
values, we offer liberty, we offer freedom.

One of the earlier presenters said
they -- when we're in the country together they
associate with us. The Chinese finance them and
they associate with us. They would rather be
here, but our great threat is when we don't even
show up. That's the great threat.

We will win the argument, we will win
the heart and mind, but we've got to be there.

And again, that's our function.
We're going to divert off these questions for one second. The general counsel is going to give us advisement on the lobbying discussion we were in earlier.

And then we're going to go right back to these questions because I think we're at the heart of the discussion right now with Jamal and his team.

MR. SLADE: I just want to provide a bit of clarity to the discussion we were having earlier on the lobbying issue.

It turns out we believe that it's an appropriations issue, that we have a limited budget, a limit of appropriations for the advisory committees.

If the Chairman had to fly economy to China and our budget is that limited, it's limited in this way too.

Also, there's a limited mandate for the advisory committees in the statute. So the concern is that if you appear before Congress or your congressman solely in your capacity as a
member of the Advisory Committee that may raise
issues about I don't know if it's
misappropriation of funds, or misuse of
appropriated funds, but that's the issue.

It's not how we slice and dice and
define what we mean by appearing in your personal
capacity. You can appear in any capacity to
lobby.

And you can even have EXIM Bank,
you're an Advisory Committee member, some
membership somewhere on your CV. But don't
appear solely in your capacity as a member of the
Advisory Committee to lobby which is essentially
what I think you were saying earlier, Chairman
Pearce. But that's the logic behind it.

And we have prepared a one-pager that
we gave to our board members when they came. And
we will tweak that to be Advisory Committee
facing.

AC CHAIR PEARCE: All right. And we
understand that if we go there you're not paying
our way there either.
SAAC CHAIR RUNDE: So as long as you
don't pay the taxi fare, and as long as I say I'm
Dan Runde and here are the six other affiliations
I have. And oh and by the way, blah blah blah.
And here's what I think about the EXIM Bank. I
can do that?

MR. SLADE: Yes.

SAAC CHAIR RUNDE: Okay, that's all I
wanted. Thank you, counsel.

AC CHAIR PEARCE: Everybody clear on
that? Alejandro, you've got something on the
other or is it -- I want to finish this first.
You've got a question on it?

MEMBER O'BRIEN: One quick comment on
it. I understand as Jim points out we're
competing against a group of ECAs with a lot of
financial heft.

The one thing we need to keep in mind
of course is we don't compete alone. We compete
with American exporters with us, together side by
side.

And I spend a lot of time in Africa
talking to customers over there. We represent a lot of folks that are investing into Africa coming from a lot of places.

And we consistently -- I consistently hear where are you, Americans. How come you're not here? We want to buy from you. We want you to be actually our partner in this business, but you're not here on the ground.

And the only way I think we can effectively compete against that is to come with our best talent.

And that's to bring together the exporters to go over and talk to those folks. Because they're ready, willing and able to buy from us.

AC CHAIR PEARCE: They'd rather buy from us, but we don't show up and so shame on us. The other side is well armed, well equipped. They don't have the political discord that we have to deal with. They have their own way of dealing with it. Take a look at Hong Kong right now.
And so you need to understand that they have facilitations that we don't have, but we can still beat them. That's the task of our chairwoman.

(Simultaneous speaking)

AC CHAIR PEARCE: I'm sorry, Alejandro's next and I'll come over to you.

MEMBER SANCHEZ: Chairman Pearce, let me ask you. We've been getting a lot of great reports here, Chairman Reed, on what the world is like right now. And they're really excellent.

Any thoughts, because I think China's party is coming to an end soon when President Trump works out an agreement with China.

And the $500 billion annual trade deficit we have with them, and all the intellectual property issues we have with them, that hopefully is going to be coming to an end.

And when it does I think other countries are going to take notice of that, especially the other G7 countries.

And they're going to say to China, you
know what? The U.S. just worked out a trade deal with you. We want one too.

And China is going to have some hard, cold realities hit them because it ain't going to be the China way all day, every day anymore.

So any thought being given by the EXIM Bank how will that change in the post President Trump China trade agreement? How is that going to impact the bank and everything we're talking about this morning? If there is such an analysis I'd like to know. Thank you.

CHAIRMAN REED: I'm going to defer to Jim because we are doing all we can now just to get back up to full speed.

We have $40 billion of applications in our pipeline which would support 250,000 U.S. jobs if we approved them all, but we're being thoughtful on them.

As we mentioned we just sent to Congress the largest deal in EXIM's history. We just approved to notify Congress $5 billion in LNG equipment made on U.S. soil by U.S. workers
to be put over in Mozambique to help double their GDP and do a lot for Prosper Africa.

So Congress is now going to give us input on that and we will do a final vote before the end of the month.

And we'll listen loud and clear to what Congress has to say of course.

But then after that we're going to go through the rest of the pipeline unless we are not reauthorized. And the moment we are not reauthorized, if it's September 30 and we get a CR that's great, but if not it's pencils down for this institution.

And I had to gather with all of our 400 wonderful staff here earlier this week to talk about that process.

So we've got $40 billion in the pipeline. We want to send a strong message of certainty to the world and we want more applications. And that's why we're out all over the country to help people know that we're back up in business.
The President of the United States supports us and long-term reauthorization will help with that.

So it is our plan as we get ready for the hopeful reauthorization that we're going to grow in a great way, again as a targeted tool in the toolbox.

And Jim, his wise counsel to me and all of us here. We have to be strategic in what we do. We don't necessarily want to be everywhere China is because we want to do good deals, and we want to continue 0.5 percent default rate, and we want to continue giving millions of dollars to the U.S. Treasury.

But Jim, I'm just going to tee it over to you for a second to finish that.

MR. CRUSE: Finish it, all right. There's not much more I can add to that. That is what we've got. That's what we're trying to do.

Once we have a reauthorization we'll know what our limits are. With those limits we will attack what the situation is.
We can't plan on that beyond what we have in our house right now, but we do have an idea forming of what we could do if given the responsibility.

CHAIRMAN REED: And I would be pleased to say we also want to be proactive. So we had domestic LNG companies who are not knowing about fully or not understanding or utilizing EXIM yet to help them understand how they also can be exporting.

We don't want to compete with U.S. domestic LNG, but we want to help the rest of the world buy our equipment if that makes sense. And we do these important tests, economic impact and additionality.

But we want to bring in, and we heard today about clean energy and other suggestions of how we can further help put our stuff all over the world.

MEMBER OKPA: The question was asked what are the strengths. And people talked about intelligence and all of that stuff.
I think in order to deal with China, myself speaking as a native African who grew up there, went to school there, family is involved in politics is you have to be present to win.

I think some of the things that we overlook in talking about how to deal with China, the Chinese is what the Africans say when the desirable is not available the available becomes desirable by default.

So China is a default partner for Africa. And we don't talk about the population. There is no other continent in the world that has the black population African makes than U.S.

We've got to speak to that strength because that's a potential resource there.

We can also deflect the Chinese presence by having a survey done. If you were to poll Africans and say who would you like to do business with 90 percent. We've got to start flashing those numbers.

The African universities or Africans who are in America, we'll talk about that. Who
gets up and have a baby in China and celebrate that, but when you have a baby in America as an African you jump up and down about that.

So we also have to talk about those intangible resources and strengths.

And the education. Most Africans would like to come to college in U.S. than they would like to go to China.

So these are the things that are there, that once we begin to play to that then the Africans will know that the Americans are coming.

Just like they say they're coming. Yes, we want to come, but we want to come recognizing the natural relationship that Africa and America has. And that's the biggest strength we can have.

But if we don't recognize it then China will become the default partner that nobody wanted.

AC CHAIR PEARCE: Well stated, the default partner if we don't play in the game.
That's it. Thank you, sir.

Last question and we're going to break into our separate groups. We're really up against a time stop. I'm going here.

MEMBER POWELL: Can I cheat with two quick questions?

AC CHAIR PEARCE: That's breaking the rule, but ask one and I'll determine the second one.

MEMBER POWELL: Okay. So, I guess question one. And I realize priority one is just reauthorization full stop.

When we think about to Jim's point having sort of Team USA collaborations potentially in policy-oriented strategic industries what -- this is a technical question. I'm not asking you to advocate for this, but what would you need in terms of additional authorizations in order to do something like that, to be less a sort of responsive ECA and more a proactive, strategic force attempting to push some of these --
AC CHAIR PEARCE: Can we send that out as an email? Let's get that to us in a different form.

MEMBER POWELL: Okay.

AC CHAIR PEARCE: We don't have time. I mean, we really do need to keep moving here. And I think it's critical enough that we actually lay that out and people have it in their hands. Okay? Good question.

Go ahead with your second one. You passed the test.

MEMBER POWELL: I appreciate that.

AC CHAIR PEARCE: Okay.

MEMBER POWELL: So, realizing it's impossible to say -- reauthorization has not happened.

But relative to any of the numbers you just showed up there for China, based on past authorizations, or past appropriations, what are we working with?

I mean if reauthorization happens where are we relative to what China is currently
doing? Is it the same order of magnitude?

MR. CRUSE: Well, no, we can't match the order of magnitude. But if you look at the total G7 and part of the Indo-Pac and other things has been to get Japan-U.S., France-U.S., get the countries together and as a group there is a capacity to match up with the Chinese.

The Japanese will take this sector in Asia. The French will handle this one in Africa. We will do this one in whatever.

So don't look at it as one on one. Look at it as the group of industrial democracies vis-a-vis -- and then you've got a much greater opportunity to match up pretty well with them.

MEMBER YOUNG: Can I just make one comment? Given the ball game is reauthorization shouldn't our efforts be also with the intelligence committees, Armed Services, to get them understanding -- because they're already concerned about the threat of China, to get them to start talking to the Banking Committee.

AC CHAIR PEARCE: Well stated. Yes,
you're correct.

Okay, Daniel, do you have closing comments and then I've got one closing comment?
Okay, all right.

Now, this is an amazing array of talent around the table. We're two different committees and we have two different functions, but we'll meet jointly.

And before we end this joint meeting understand that the lack of bipartisanship right down the street hampers us tremendously.

So my belief is that this committee has different philosophical viewpoints. We've got different religious viewpoints. We've got different technical backgrounds. We've got union representatives here. We've got people who are representing manufacturing, regulatory.

And it is us who can really bridge this partisan gap that freezes Congress. And we can go arm in arm across party aisles and any aisles that separate us down there to get their attention and say look, EXIM is not a partisan
issue. This is an issue about the future of the country.

Do we want -- in fact the future of the world. Do we want them to impose their will on us? Daniel referred to it as the vassal states. That's what people are frightened of from China.

Or do we want our values out there? They're going to choose. The fact that we would advocate doesn't mean that the world is going to be better because we stood in the shadows.

It's going to mean that there is a vacuum and somebody is going to fill up the vacuum. Somebody is going to show up to Africa and ask for the trade even if we don't.

Do we want our values or their values? And you and I sitting on this committee are going to be the voice that increases the awareness past the partisanship that is right down the street.

Now, Spencer and I have experienced that in its fullest and it has its purpose. It has its place, but it also has its limitations in
these discussions which should be non-partisan issues. And this is one which should be a non-partisan issue.

Everybody benefits when we trade. The entire world benefits when we send our values there. God bless you all. Thanks for being a part of this.

We're going to break up and the Advisory Committee is staying here and Daniel, where are you taking your group to? You're going to go right in there to the chow hall. You all are going to go to chow hall and we stay here.

CHAIRMAN REED: And I want to just say in closing thank you, Chairman Pearce, thank you, Chairman Runde.

And I want Luke Lindberg to stand up and the entire external affairs team. Please stand up -- to make this meeting possible. Thank you so much.

(Appause)

(Whereupon, the above-entitled matter went off the record at 12:47 p.m.)
CERTIFICATE

This is to certify that the foregoing transcript

In the matter of: Advisory Committees Joint Meeting

Before: Export-Import Bank of the U.S.

Date: 09-11-19

Place: Washington, DC

was duly recorded and accurately transcribed under my direction; further, that said transcript is a true and accurate record of the proceedings.

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Court Reporter

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COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701
(202) 234-4433
www.nealrgross.com