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CY 2011-2013

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Freedom of Information and Privacy Office  
811 Vermont Ave., NW  
Washington, D.C. 20571  
Fax: (202) 565-3294  
E-Mail: [foia@exim.gov](mailto:foia@exim.gov)  
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EXPORT-IMPORT BANK  
OF THE UNITED STATES

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December 8, 2017

**Via Electronic Mail**

**Re: FOIA Request # 201700018F**

This is the final response to your Freedom of Information Act (FOIA) request to the Export-Import Bank of the United States (Ex-Im Bank). We received your request in our FOIA Office via E-mail on December 5, 2016. You requested "the Export-Import Bank Advisory Meeting Minutes for meetings held during calendar years 2011, 2012 and 2013."

We conducted a comprehensive search of the files within the Office of the CFO, Division of the Deputy Chief Financial Officer, FOIA Section for records that would be responsive to your request. This is the component within Ex-Im Bank in which responsive records could reasonably be expected to be found. The search produced the attached records. After carefully reviewing the responsive documents, we have determined they are releasable in their entirety; no deletions or exemptions have been claimed.

For your information, Congress excluded three discrete categories of law enforcement and national security records from the requirements of the FOIA. See 5 U.S.C. §552(c) (2006 & Supp. IV 2010). This response is limited to those records that are subject to the requirements of the FOIA. This is a standard notification that is given to all of our requesters and should not be taken as an indication that excluded records do, or do not, exist.

Please be advised that you were placed in the "all other" non-commercial requester category and are responsible to pay 10-cents a page for duplication the first 100 pages are free, as are the first two hours of search time. In this instance, because the first 100 pages are free, as are the first two hours of search time, there is no charge.

I trust that this information fully satisfies your request. If you need further assistance or would like to discuss any aspect of your request please do not hesitate to contact our FOIA Public Liaison, Ms. Lennell Jackson at (202) 565-3290 or by E-Mail at [Lennell.Jackson@exim.gov](mailto:Lennell.Jackson@exim.gov).

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized 'D' and 'S' that are intertwined, followed by a horizontal line extending to the right.

David M. Sena  
Chief FOIA Officer

Attachments: Responsive Documents (9 PDF files)

# **EX-IM BANK ADVISORY COMMITTEE MEETING MINUTES**

**March 30, 2011**

**1:00 P.M.**

**ROOM 1143**

An open meeting of the Advisory Committee of the Export-Import Bank of the United States (“Ex-Im Bank” or “Bank”) was held Wednesday, March 30, 2011 in the Main Conference Room of the Ex-Im Bank building, located at 811 Vermont Ave., NW, Washington, D.C.

The following members of the Advisory Committee, constituting a quorum, were present: Chairman James Murray, Luis Arguello, Nelson Cunningham, Debbie Dingell, Owen Herrnsstadt, Richard Kauffman, Thea Lee, Deven Parekh, Steve Parrish, John Rauber, Maria de Lourdes Sobrino, Kirk Wagar, Johanne Witty, Catherine Bessant, Dan Tishman and Randy Zwirn.

The following member of the Advisory Committee was absent: James Kolbe

The following members of the Ex-Im Bank Board of Directors were present: Fred P. Hochberg, Chairman and President, Bijan Kian, Director, and Diane Farrell, Director.

## **GUEST SPEAKER**

**Nancy-Ann Deparle**

**Assistant to the President**

**White House Deputy Chief of Staff**

Ms. Deparle updated the Advisory Committee on the issues currently facing the President. She said currently, some of the most pressing topics for the President are the 2011 budget, expanding trade agreements and education, and renewable energy.

The President is already \$50 billion below his original request regarding the 2011 budget, but nothing has been settled. With numerous other issues being brought into the mix, it is difficult to come to an agreement with Congress. The President is continuing his goal of doubling exports over the next five years, and when asked about possible tax breaks for businesses that keep their work in America, Deparle said there are committees dealing with this issue but she didn’t know if tax breaks in this budget are being considered at this time.

Deparle said the Administration is focusing on alternative fuels such as natural gas, bio fuel and renewable energies such as solar and wind. To prove its support, she noted that the government mandated its fleet vehicles to use biofuel by the year 2015. This is in support of focusing on alternative fuels in today’s economy.

She said the Elementary and Secondary Education Funding bill is up for renewal, which is the bill that provides funds for all education. In a global world, the President realizes that an education will keep many American jobs in the Services industry competitive. Therefore, the Administration is focusing on making sure community colleges know the curriculum that will train workers to staff the future big businesses of America.

## **REAUTHORIZATION**

Scott Schloegel, Sr. Vice President  
Office of Congressional Affairs

Scott Schloegel told the committee the Bank's reauthorization language is being vetted by OMB and has not been returned to the Bank. He said the Bank is updating the charter and removing items that are no longer relevant to the Bank or to the current global environment. For example, increasing the exposure limits to over \$100 billion and extending the Charter's reauthorization to 2015 or beyond. He said the House is looking to markup the legislation by Memorial Day break, but the Senate has not indicated its time line. He will keep the committee posted.

## **BANK UPDATE**

Fred P. Hochberg, Chairman & President  
Exim Bank

Mr. Hochberg briefed the committee regarding the Bank's status of the past six months. He said in supporting the National Exports Initiative, the Bank is up 17 percent for the first year and that \$13 billion in support is a safe number to express. He said 85 percent of the Bank's deals are in small business and the goal of 5,000 new small businesses will be a challenge. However, the Bank is already at 800 new small businesses for the first 15 months of its 60 month plan.

Regarding the larger companies and transactions, he announced a \$1 billion facility towards the World Cup and Olympics for Brazil. In addition, a Brazilian airline transaction was approved for \$200 million to purchase Boeing aircraft. But, there is still competition for our larger companies like GE. In Pakistan Ex-Im Bank is competing against China to obtain a locomotion deal. Hochberg said that competing against a non-OECD member can be complicated, but it will not stop the Bank from pursuing this transaction. With evidence of noncompliance the Bank can offer financing terms matching those of the competition.

Regarding the conference, Hochberg encouraged the committee members to attend the annual conference because of the many good speakers such as the chairman of Siemens Worldwide, Peter Loscher; CEO of Caterpillar, Doug Oberhelman; and keynote speaker, Larry Summers. The conference will give the committee members an opportunity to meet many of the customers of Ex-Im Bank.

Regarding the Competitiveness Report, Isabel Galdez explained the purpose of the report and the role the Advisory Committee members will play. Because the report is due to Congress on June 30, 2011, the Committee is to review the draft and send any comments to the Advisory Committee Chairman. She will send various deadlines to the members via email to keep them on time for the final approval. Regarding having enough survey data, she said the concentrated efforts over the past year did raise the response rate and that they will continue to examine the methodology of the data collection.

## **SUB-COMMITTEE UPDATES**

Business Outreach and Marketing Sub-Chairman, Steve Parrish told the committee that the outreach plan is to continue to raise the awareness of programs the Bank is already doing, such as participating in the global access events, and to involve the supply chain as a possible outreach for education. They will have a more extensive strategy in place by the next meeting.

Small Business Sub-Committee Sub-Chairman, Luis Arguello said they are researching why SME's don't use the delegated authority program provided by Ex-Im Bank. They are seeking to see if the SMEs are intimidated because it's a government program and their own banks shy away or because the program may be geared towards larger banks.

The other two committees reported, but experienced a recording error. The committee adjourned.

# EXIM BANK ADVISORY COMMITTEE MEETING

## MINUTES SUMMARY

May 17, 2011

11:00 A.M.

ROOM 1143

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An open meeting of the Advisory Committee of the Export-Import Bank of the United States (“Ex-Im Bank” or “Bank”) was held Tuesday, May 17, 2011 in the Main Conference Room of the Ex-Im Bank building, located at 811 Vermont Ave., NW, Washington, D.C.

The following members of the Advisory Committee, constituting a quorum, were present: Chairman James Murray, Nelson Cummingham, Debbie Dingell, Owen Herrnstadt, Richard Kauffman, James Kolbe, Thea Lee, Deven Parekh, Steve Parrish, John Rauber, Johanne Witty, Catherine Bessant, Dan Tishman and Randy Zwirn.

The following member of the Advisory Committee were absent: Luis Arguello, Maria de Lourdes Sobrino, Kirk Wagar

The following members of the Ex-Im Bank Board of Directors were present: Fred P. Hochberg, Chairman and President, and Diane Farrell, Director.

The following member of the Exim Bank Board was absent: Bijan Kian, Director

**Chairman Murray** opened the meeting and asked **Jim Mahoney, Vice President of Engineering & Environment** to give the Committee an update of his division. Mahoney said Exim Bank is the first ECA to adopt a carbon policy addressing greenhouse gases, prompting a revision the environmental guidelines. Mahoney said support for renewable energy is up 300 percent from '09 going from \$100 to \$332 million. Pending projects may achieve from \$800 million to \$1 billion in total authorizations by end of this fiscal year.

Regarding other activities, Mahoney said that in February NSC affirmed Ex-Im Bank's policy and position on high carbon intensity projects, which enables the U.S. to go to the G20 and G11 and OECD and seek commitments to focus competitors to put attention to issues related to climate and carbon producing projects. He said the U.S. government proposes the “sliding scale approach” to enable Exim Bank to provide extended tenure to low to zero carbon projects. This sliding scale would target the financing of carbon intensity projects to go from 18 years for low-carbon intensity projects to 8 years for high-carbon intensity projects.

Finally, this year the OECD will revise its common approaches and Exim Bank supported upgrades to the IFC performance standards that were approved with certain modifications. The Bank will revise its environmental procedures and guidelines to reflect the new language of the common approaches. It has also established an

environmental working group to address any issues with this matter. He thanked the committee for their time.

Chairman Murray thanked Mr. Mahoney then introduced **Maura Policelli, VP Office of Communications**. Policelli updated the Committee regarding the 2011 Annual Conference stating that the attendance exceeded 1,200 people. 99 percent of the Attendee Evaluations forms showed attendees would recommend the conference to others. The number of small business attendees was up and the Bank's focus for next year will be to bring in more foreign buyers. Policelli said the Communications Division is working hard to promote the themes of innovation, competitive edge, jobs and small business through speeches, op-eds, the website, various publications and other ways of social media such as Twitter and Linked-In.

She said that by the end of the 2015 timeframe of the National Export Initiative, the Bank's goal is to produce \$30 billion in small business transactions, \$58 billion in export sales, and to have brought in 5,000 new customers. Policelli told the Committee that although the Bank has partners, new ones every month since the Bank started its Global Access program, the Communications Division doesn't have the ability to capture all the events happening throughout different organizations, associations, the private sector, or other agencies. She asked the Committee to let her know if they see an opportunity for her division to promote the Bank. She thanked the committee for their time.

The Chairman thanked Ms. Policelli then introduced **Amie Dorman, VP of Marketing Small Business Group**.

Ms. Dorman told the Committee that the Small Business Group has 300 new clients that have either, never done business with Exim Bank or not done business with Exim Bank in the last three years, and that the Bank has authorized 1,704 small business transactions year to date. She said they are closely tracking 308 transactions for women-owned businesses and the Bank is at 17 percent towards the mandated goal of 20 percent for small business.

Dorman said her Division has two new product initiatives; Supply Chain Finance and Express Insurance. Regarding the supply chain, she said Exim Bank is partnering with large exporters and corporations to try and pass on the financing benefits to their suppliers through accounts receivable. The product overall injects liquidity into the marketplace and provides suppliers and small businesses access to capital faster and at a lower rate.

The Express Insurance is designed to help small businesses expand into foreign markets and add new buyers. It has expedited the trade credit insurance product. By streamlining the application, Exim Bank is able to quote policies quickly and get a turnaround within five days. Since rolling this program out in March the Bank has received 30 applications and quoted 24 policies. 11 have been accepted for a total of \$7 million in authorizations. Average policy size now is \$636,000; and the goal is to get that up to \$1 million.



Regarding the marketing outreach segment of her division, Dorman said the Bank is looking at Delegated Authority banks that are either inactive or not doing many transactions with Exim Bank. She said the Bank has hired a new staff person to focus on helping to grow this project. They currently have 8 new brokers; 150 active brokers, 60 city/state partners, five pending applications and two newly approved partners. She thanked the committee for their time.

Chairman Murray thanked Ms. Dorman then introduced **Isabel Galdiz, OECD Negotiations Coordinator, International Relations**, to discuss the Competitiveness Report.

Ms. Galdiz said the Bank had an increased response rate of 20 percent and that it had broadened its comparative analysis to include information relevant to G7 ECAs who provide the bulk of medium and long-term trade finance. The report tries to identify market developments that have impacted Ex-Im Bank's competitiveness.

she said focus groups revealed that the exporting community continues to operate within an environment where credit is tight and risk aversion is high. ECA financing is very important in combating lingering negative effects of the financial crisis, especially in the area of medium and long-term finance. Lack of liquidity is one element that contributes to the exporter's risk aversion concerns. Exporters and banks are concerned about the merging regulatory requirements and uncertainties. They fear that the new Dodd-Frank legislation will result in an impact of Basil I, II and III.

Galdiz said the report focused on distinguishing between two types of financing: Programs that G7 and OECD ECAs provide within the bounds of the OECD rules, and to identify non-OECD financing programs unregulated by OECD arrangement. The report finds Exim Bank's core business policies and major program structures very competitive with the other G7 ECAs. However, its economic philosophy and public policy is not considered to be as competitive as the other G7 ECAs. The overall competitiveness continues to garner a grade of A-minus or B-plus.

Key changes identified for 2010 were content, environment, sustained efforts in direct lending, and the long-term guarantee program. The exporting community found Content has a negative impact on Exim Bank competitiveness when compared to other G7 ECAs. However, the Bank's flexibility and implementation of its local cost policy was viewed as competitive. The environmental policy is on par with those of other ECAs and was graded A. Because other ECAs do not have a direct lending capacity, Exim Bank was well-positioned to provide exporters with added direct lending capacity. By developing a take-out option to provide additional support that does not compete with commercial banks, this program was considered more competitive than its G7 counterparts.

Galdiz said future reports will provide an expansion of the analysis and draw differentiation between G7 programs regulated by the arrangement and those not regulated.

When asked about the size of the respondents and the methodology of the report, Galdiz replied that the report is strictly limited to the medium and long-term programs only because they are regulated by the OECD rules and universal in all ECAs. Therefore, responses regarding the working capital guarantee program, the short term insurance program or any public policy issues are not considered in the report.

It was suggested that future reports include the results from deals that are lost to competitors and not just the deals that are won by Exim Bank. Information as to why exporters used other ECAs may give a better view of the level of competitiveness Exim Bank must reach. It was suggested that public policy be considered in these reports, and Galdiz said that there are competing priorities from Congress which make it difficult for Exim Bank to level the playing field in some areas.

The suggestion was made that the report should include a measure of job growth and this information should be compared to how the other ECAs facilitate job growth through their exports.

Galdiz thanked the committee for their suggestions and said that in order obtain more detailed information from the survey it would have to be expanded. Resources are limited, but they are doing their best to incorporate the committee's suggestions into the next survey. Sehe thanked the committee for their time.

Chairman Murray thanks Ms. Galdiz then introduced **Jason Furman, the Assistant to the President, Deputy Director of the National Economic Council.**

Mr. **Furman** stated that the President's overriding domestic priority is to create jobs. The President set the goal of doubling the amount of exports over a 5-year period to support 2 million jobs. He said many of the US policy tools are about exports and opening other markets. The Administration is working to narrow the trade gap by implementing trade agreements to balance exports and imports to creates jobs. In the first two years of the President's Administration, it was able to do enormous amounts in ways that required congressional action with major fiscal implications.

He said the first thing the President did when he inherited a 700,000 jobs a month decline was to implement the Recovery Act, which proceeded along multiple fronts such as infrastructure, investment, relief for individuals, tax cuts, business incentives; all which were designed to arrest the economy's decline and create jobs.

But the Recovery Act wasn't the end of the focus on jobs. At least five different pieces of jobs legislation that followed focused on things like small business, teachers, relief for states, investment incentives, and the tax agreement. Fruman said the Administration was creating over 200,000 private jobs a month, with 2 million private sector jobs created since the economic recovery began. He said the unemployment rate was down nearly a percentage point, but still falls short from where it should be.

He said the President is continuing to push legislative action on the fiscal front for jobs through investments in infrastructure, such as a \$50 billion up-front investment. Fruman said that the three free trade agreements are an important piece of the solution, and that the Administration had begun technical discussions with congressional staff about implementing some type of legislation. Developing jobs and expanding US trade is an example of the types of measures being taken over the last few years, and about how the Administration can be smarter regarding how it handles regulation.

Another focus of Fruman's work is regarding America's unsustainable fiscal situation. He said three or four years from now, when the economy is projected to be recovered, the deficit will still remain enormously large and is set to exceed the entire U.S. economy by the year 2025. Interest payments of over \$1 trillion a year, is why the Administration is dealing with it now in a way that's phased in and consistent with its values. He said they want to retain the ability to make growth-enhancing investments in research and education that could help strengthen the economy today and ensure that the recovery is durable.

By working together, Congress and the Administration are looking to save \$4 trillion over 10-12 years. The President made it clear it will not be done on the backs of Medicaid, or turn Food Stamps into a block grant program. However, the two groups have \$4 trillion of ideas, where a number of those ideas are in common. He said that by acting on infrastructure and doing things prospectively they can make a difference.

Fruman stated that the economy was recovering and that Exim Bank was a part of the process. He believes Congress will remember that on a bipartisan basis people are very enthusiastic about infrastructure. However, it will take some time for new members of Congress to realize they must work together. He thanked the committee for their time.

Chairman Murray thanked Mr. Fruman. He then asked for public comments, of which there were none, and then adjourned the meeting.

**Exim Bank Advisory Committee Meeting**  
**Minutes Summary**  
**September 27, 2011**  
**11:00 A.M.**

*Unofficial*

An open meeting of the Advisory Committee of the Export-Import Bank of the United States (“Ex-Im Bank” or “Bank”) was held Tuesday, September 27, 2011 in the Main Conference Room of the Ex-Im Bank building, located at 811 Vermont Ave., NW, Washington, D.C.

The following members of the Advisory Committee, constituting a quorum, were present: Chairman James Murray, Luis Arguello, Nelson Cunningham, Debbie Dingell, Owen Herrnsstadt, James Kolbe, Thea Lee, Deven Parekh, Steve Parrish, John Rauber, Johanne Witty, Maria de Lourdes Sobrino, Kirk Wagar

The following members of the Advisory Committee were absent: Richard Kauffman, Catherine Bessant, Dan Tishman and Randy Zwirn.

The following members of the Ex-Im Bank Board of Directors were present: Fred P. Hochberg, Chairman and President, Wanda Felton, Vice Chair, Diane Farrell, Director, and Sean Mulvaney, Director.

The following member of the Exim Bank Board was absent: Bijan Kian, Director

**CALL TO ORDER**

**James Murray, Chairman of the Advisory Committee**

**Chairman Murray** opened the meeting and asked **Chairman Hochberg** to address the committee. Hochberg said that in May and June two new Board members, Wanda Felton and Sean Mulvaney, were sworn in and that he is looking forward to working with them.

Hochberg told the committee he was pleased with the Bank’s progress over the last two and a half years, and that he has identified three areas where the Bank is to improve; Customer Culture, Small Business, and Infrastructure. Regarding customer culture, he wants to make it easier for customers to do business with Exim Bank and shift from a credit focus to a customer focus.

Regarding small business, Hochberg said that although small business drives a lot of innovation, it is still harder for them to get access to capital and credit. Exim Bank has a congressional mandate of 20 percent of all dollar authorizations to be for small business. At current projection, the Bank will not reach the 20 percent because there was such a strong growth in aircraft due to changes in “aircraft sector understanding”.

Regarding infrastructure, Hochberg said the Bank wants to add value to projects that need financing of 10 years or more, including aircraft, power, transportation, and locomotives. He

said that infrastructure is about 80 percent of Exim Bank's portfolio. He noted that where infrastructure projects are occurring, there are real and perceived concerns about BASLIII. Another part of the infrastructure market is short-term, which is about 80 percent small business. It is these two infrastructure areas where Exim Bank will continue to grow its public/private partnerships.

#### **GUEST SPEAKER**

**Mr. Jeffrey Zients, Acting Director, OMB and Federal Chief Performance Officer.**

Mr. Zients told the committee that those in the private sector have experienced a yearly productivity gain of 1.5 points a year over the last decade. However, the federal sector productivity gains have been a third or less of that level, creating a productivity gap. Zients said they are trying to close that productivity gap by both saving money and improving quality at the same time.

Zients said one key area for this gap is information technology. About \$80 billion a year was spent across the federal government. For IT, the problem is that technology changes so quickly before the government approval process is completed, that the technology is almost obsolete before the program can be installed. Therefore, of 60 IT projects, about 20 percent were terminated due to being behind schedule, over budgeted, or obsolete.

Other areas of technology are the Data centers. Over the years, private sector companies have gone from 200 data centers to less than 10. However, in the same time frame, the government has gone from 800 data centers to over 2,200. It is now looking to close data centers and move to cloud computing without jeopardizing security.

Zients said another area of focus is contracting. Due to inefficiencies and competition, the government is moving towards fixed price contracts in many areas. He said they are also leveraging the government's purchasing power by having same-location agencies work together to combine their office supply contracts resulting in equal pricing. This concept is also being applied to other areas like cell phones and printers.

Regarding the government reorganization, the President will focus on agencies that work on trade, exports, general business, and competitiveness. After an intense study, it was discovered that efforts to support businesses in their competitiveness domestically and abroad is undermined by fragmentation.

He said in the government there are 12 primary contributing trade agencies resulting in a lack of overall ownership and accountability. The export promotion and financing area was discovered to be subscale and fragmented with agencies having overlapping charters, missions and customers. Importantly this fragmentation leads to too much overhead, too many HR systems, too much IT, and some program duplication because the different agencies operate in overlapping spaces but have distinct programs. According to GAO, there are 80 different programs involved in supporting business and economics.

Zients said that trade enforcement is being under-resourced and without enough lawyers to bring valuable WTO cases against China and other violating countries. The US relies on coordinating with Commerce and other agencies to do its enforcement.

Regarding the Jobs Council, it is looking to streamline permitting projects in order to create jobs. An executive order will be announced for projects largely in the area of infrastructure. Another matter being examined is the duplication and effectiveness of regulatory matters. It has asked various agencies to determine where their regulations are outdated, thereby, freeing up businesses.

Regarding small business, the Jobs Council will set up a virtual one stop shop so businesses can go online and have a much more integrated experience with the federal government agencies involved in exports, financing, contracting with the government, and other government-related services.

## **OBSERVATIONS**

### **Wanda Felton, Vice Chair, Board of Directors, Export-Import Bank of the US**

Ms. Felton told the committee she joined the Bank on June 13. She worked at the Bank in the early '80s, and said it had changed a lot from those days, but one thing that did not change is the quality of the staff. She said the staff is very smart, committed, and works very hard to carry out the Bank's mission.

Felton said that as the Bank executes its strategic plan to contribute to the President's goal of doubling exports by 2015, a few items caught her attention. The first item was the Supply Chain Program, an idea conceived in the height of the financial crisis as a way to get more liquidity to small and medium-sized businesses. Felton said this program is an example of product innovation that has moved into the small business sector to leverage relationships with banking partners who are familiar with Ex-Im Bank.

The second item was the transaction for Hawker Beechcraft where the Board approved \$75 million direct loan to finance the export of 10 Hawker Beechcraft jets. This loan allowed buyers to test drive the airplanes outside the U.S to encourage prospective buyers to place an order. Because Wichita and Kansas have three major aircraft manufacturers the impact of future sales would be noticeable. In Kansas 21.5 percent manufacturing employment is related to aircraft. Whereas, in Wichita \$24 out of every \$100 earned is related to aircraft production. Meaning, 60 percent manufacturing earnings in metro area surrounding Wichita comes from that industry.

Felton said the third transaction that caught her eye was a company called First Solar. She said Exim Bank helped this renewable energy business in Canada save nearly 550 jobs in Ohio.

Felton closed by saying that these powerful examples of operating leverage and risk management brought together effect to job creation where the common thread in these transactions is a strong underwriting and risk management team.

## **SUPPLY CHAIN FACILITY**

**Charles Tansey, Sr. Vice President, Small Business Group**

Mr. Tansey explained to the committee how the Supply Chain program worked. He said that often a small business must borrow money at a higher interest rate than a larger exporting business. This higher rate could cause the small business to go out of business resulting in the larger exporter no longer having a supplier. He said that if the large exporter could borrow money from a bank at a reduced interest rate and then pass the savings onto his SME supplier, it could mean that the larger exporter will have reduced his costs because the SME would be less likely to go out of business and then the large exporter would not have to find a new supplier. Tansey explained as an added benefit to Exim Bank, that when the large exporter borrows from Exim Bank it brings with it all its small businesses, indirectly allowing Exim Bank to get new small business companies in which to reach out to for additional business.

However, Tansey said there are some concerns. First, it must be made clear that this is not to be viewed as turning big exporters into banks, but is simply a bank purchasing a receivable from a small business. For example, when the small business supplier ships his goods to the larger exporter, an accounts receivable is generated for the small business supplier. The supplier then takes the accounts receivable and sells it to a bank.

Secondly, the larger exporters, in return for the lower interest rate, must provide certifications on issues like the Corrupt Practices Act and Debarment, which not only applies to them but may have implications for its suppliers as well. The larger exporter must also face the challenge of getting its IT information onto a separate IT platform and actually get small business suppliers to participate in the program.

## **AIRCRAFT WORKING CAPITAL**

**Robert Morin, Vice President, Transportation Division**

Mr. Morin told the committee that it had been a remarkable four-year period since the credit crisis beginning of fiscal year 2009. He said the transportation division experienced a 70 percent increase from FY 2010, a 27 percent compound annual growth rate, with no increase in headcount or technology, which is a testimony to the quality of the staff. In 2008 and 2009 the bank raised \$3 billion of which commercial banks did not have to fund. In its search to find partners in the private sector, this is how the transaction for the Hawker Beechcraft was discovered.

Reiterating the story Director Felton previously told, Morin said that although Exim Bank will only get credit for \$100 million of the \$800 million deal, this transaction was a win-win-win because the US wanted to get business in China, ICBC has wanted to get into the leasing business, and if this transaction is successful Exim Bank will be supporting a large number of exports and jobs in Wichita and the surrounding area.

## **RENEWABLE ENERGY**

**Hannelene Beillard, Sr. Finance Project Manager, Structured Finance Division**

Ms. Beillard said that for 2011 the Bank Authorizations in structured finance was close to \$9 billion, with more than \$670 million in renewable energy authorizations. As two Canadian examples of using innovative strategies to support the renewable sector, she mentioned St Claire Solar, a \$219 million transaction for 40 megawatts and ABW Solar, a \$236 million transaction for 50 megawatts.

She said these are the Bank's first renewable energy transactions in Canada and the first financed project transactions that have a capital markets component. For example, because borrowers in the renewable energy segment need longer terms than conventional energy segments it is difficult for them to obtain a loan. Most commercial banks can only offer support under the OECD guidelines and have difficulty offering 18 year term financing. However, Exim Bank can support transactions for up to 18 years for renewable energy. Therefore, the capital markets in this case had the ability to do liquidity at a fixed rate for 18 years and in Canadian dollars, so the solution made the projection economically viable.

She said that these two Ontario transactions contain several firsts for Ex-Im Bank. Individually, they were the largest renewable energy transactions ever done by the Bank. And combined, the total authorizations of \$573 million for First Solar and transactions in India, the bank supported 550 jobs.

## **REAUTHORIZATION UPDATE**

**Scott Schloegel, Sr. Vice President, Office of Congressional Affairs**

Mr. Schloegel briefed the committee regarding the Banks's reauthorization efforts. He said Chairman Hochberg spoke to the Senate on May 17 and the House on May 24. June 2 was the markup on the House Reauthorization Bill HR2072 which went to the full committee on June 22. It is now awaiting a House floor vote. Meanwhile, the Senate's full committee marked up its bill on September 8.

He said one concern is about a provision that Congress inserted into the House bill regarding Iran sanctions. This provision would apply to every single transaction the Bank did regarding the amount of due diligence it performed, as well as have a chilling effect on many companies.

Schloegel said that the Senate Banking Committee is still waiting floor action. However, the possibility of a compromise may happen between the House and Senate to push a single bill so each Member only has to vote once. However, the House requested \$160 billion and the Senate requested \$140 billion for the exposure cap.

He said that Delta airlines asked the House to insert language requiring Exim Bank to report on all transactions above \$75 million. However, the Senate requested a \$100 million mark which currently harmonizes with the transactions sent up to the Hill for congressional review. In addition, on behalf of the textile industry, both the House and the Senate included language to



require the Bank's Advisory Committee to consider including a textiles industry representative seat and to provide additional reporting in the Bank's annual report.

Schoelgel said that on the House side there was a provision that allows 1.2 percent of surplus funds to go into a technology upgrade up to \$20 million per year. However, there is not a similar provision in the Senate bill. Also, both House and Senate reauthorized the Sub Saharan Africa Committee.

Regarding the Appropriations Bill, Schoelgel said it had been marked up in the House subcommittee, but is still awaiting a full committee markup. Meanwhile, the Senate went directly to the full Senate to mark its bill. The Bank is waiting for both versions to be reported out. He said most likely the bill will end up in an omnibus bill.

Regarding the requested funding, the House requested slightly below the FY 2010 and 2011 amount in both the Administrative and Program budgets. However, the Senate was successful in getting an additional \$6 million into the Administration budget.

Schoelgel said Board Member nominees; Patricia Loui and Larry Walther had their confirmation hearings on September 6. Pat is from Hawaii, the founder and chair of Omnitrack Group which is an international marketing and research firm. She's also former Vice President of Bank of Hawaii and is familiar with the senators from Hawaii including Senator Inouye who is the chair of the Senate Appropriations Committee.

Larry Walther is a businessman from Arkansas, the former director of TDA who has 30 years of experience with SBC now AT&T. The Bank hopes they will be able to be voted out of committee sometime early to mid-October and head to the floor.

## **COMPETITIVENESS REPORT**

### **Piper Moffatt, Vice President, Int'l Relations, Policy & Planning Division**

Ms. Moffatt highlighted some of the key findings from the report in order to set the stage for going forward for next year's Competitiveness Report.

The report identified three universes in the export credit world:

- 1) The Current World where Exim Bank and other ECAs operate by the rules within the confines of the OECD arrangement,
- 2) The Exceptional World, where "exceptional" are the countries such as China, Brazil and India who are not members or participants to the OECD and oftentimes offer financing terms that are better than, or different from, what the OECD allows and,
- 3) The Unregulated World which is the most recent one discovered. The unregulated world is about OECD export credit agencies that provide financing termed "Credit" rather than "Not export credit", therefore they do not have to adhere to OECD rules which pertain only to export

credits. What is identified in this category are untied loans and investment financing, which are completely different kinds of products than what Exim Bank can offer.

One issue regarding the unregulated universe is that the Bank has not been able to completely quantify it nor does it completely understand how it works. The Bank knows bits and pieces of this universe and how some of the countries use it, but this is what the Bank hopes to examine over the coming year to try to get a better sense of what the impact is if these financing products are really being used in a way that's a competitive disadvantage for U.S. exports.

Ms. Moffett points out that in 2001 the OECD world represented close to 85 percent of all the financing occurring. However, 10 years later it appears the OECD is representing only 30 percent of that market. These are estimates for 2011 are based on what the Bank staff thinks are reasonable projections and what has been possible to quantify.

The Bank wants to gather information from all the potential data sources, information sources, managers in project finance, consultants, U.S. exporters, foreign buyers and the ECAs themselves. And not just U.S. banks but also banks operating within the global environment too. By talking to foreign buyers in key markets, it could shed light on the kind of terms being offered and how competitive they are when competitors bid against US businesses with their ECAs.

Moffatt said the Bank wants to know if other ECAs are using risk strategies as a way to get a competitive edge, are they changing their cover policies, are they requiring less security to help make the deal doable, are they using portfolio management techniques that allow them to spread the risk across a broader population of transactions, are they using certain organizational efficiencies, better cycle time, or other kinds of techniques to gain a competitive edge.

Looking forward she said, the scope of the study will depend on the resources the Bank has at its discretion. Due to these constraints, results might be a matter of degree in how many people, how many banks, how many buyers Exim Bank can talk to in order to gather this information.

## **ENVIRONMENTAL REPORT**

### **JoAnne Witty, Chair, Advisory Committee Environmental Subcommittee**

Ms. Witty told the full committee that her subcommittee focused on the carbon policy the Bank needs to measure their environmental impact on its projects. Because there is a limitation on the carbon intensity, additional review processes must be done before environmental projects can be approved.

She told the committee that because the Bank is required to fund and support renewable energy and environmental export projects there is an Office of Renewable Energy and Environmental Exports. However, in terms of its scope, the subcommittee recommended that the Bank think about green technology in a much broader way. She suggested the Bank should try partnering with other government agencies such as the Department of Energy that makes loans to different

kinds of green technologies, the Department of Commerce which has lots of programs, and the Department of Defense as well as the Defense Advanced Research Projects Agency.

Another suggestion Witty made was that, because of the limited resources available to the Bank, it is important to look for the most efficient ways to find clients. She suggested the Bank look at state and local green tech and economic development organizations. She suggested the Bank reach out to the Advanced Energy Economy Project, which has clusters in different states as well as participating in trade missions.

She suggested that reaching out to the private sector such as private equity funds, investment banks, and venture funds might be good sources to find energy business. She said that Investment banks have an active staff that deal with the previously mentioned companies and that the venture funds are the companies who provide the initial equity financing. She also suggested reaching out to corporations who have parts of their business in the green tech industry and that the Bank staff should attend forums where people from the industry, government funders, private funders and investors are in one location.

#### **PUBLIC COMMENT**

There were no public comments.

The meeting was adjourned at 3:59 p.m.

**Exim Bank Advisory Committee Meeting**  
**Minutes Summary**  
**December 13, 2011**  
**11:00 A.M.**

*Unofficial*

An open meeting of the Advisory Committee of the Export-Import Bank of the United States (“Ex-Im Bank” or “Bank”) was held Tuesday, December 13, 2011 in the Main Conference Room of the Ex-Im Bank building, located at 811 Vermont Ave., NW, Washington, D.C.

The following members of the Advisory Committee, constituting a quorum, were present: Chairman Nelson Cunningham, Peter Baranay, Leslie Bergland, Fred Bergsten, John Brislin, Thea Lee, Nancy Mercolino, Deven Parekh, Steven Parrish, Garrett Piece, Kirk Wagar, Kelly Williams, Joanne Witty, Randy Zwirin.

The following members of the Advisory Committee were absent: Owen Herrnsstadt, Michael O’Neill, Daniel Tishman

The following members of the Ex-Im Bank Board of Directors were present: Fred P. Hochberg, Chairman and President, Wanda Felton, Vice Chair, Sean Mulvaney, Director, Patrica Loui, Director, and Larry Walther, Director.

**CALL TO ORDER**

**Nelson Cunningham, Chairman**  
**Ex-Im Bank Advisory Committee**

**INTRODUCTION OF ADVISORY COMMITTEE BOARD MEMBERS**

Advisory Committee **Chairman Nelson Cunningham** welcomed both the retuning and those who were new to the committee. He asked that each of the Board introduce themselves and then asked the Committee members to introduce themselves as well.

Vice Chair Wanda Felton introduced herself and said she joined Ex-Im Bank in June of 2011, confirmed along with Director Sean Mulvaney. She now welcomes the two additional Board Members Larry Walther and Pat Loui, who were confirmed in November. Felton said she started her career at Exim Bank right out of college, left in 1982 to go back to business school, and then returned to the Bank as Vice Chair in 2011. She noted that the energy is greater now than it was then, but that the commitment and professionalism of the staff had not changed.

Felton then told the members that the Advisory Committee was formed in 1984 by a congressional mandate to provide a voice for these various industries so the Bank can

serve the interests of these constituencies. Therefore, the committee consists of representatives, from Finance, Manufacturing, Labor, Services, Trade, Government, and Environmental interests. Specifically, three seats are to be held by small business, two by labor, and two by environmental NGOs. She said the committee has two responsibilities, to advise and provide suggestions to the Bank on its programs and to comment on the annual Competitiveness Report on whether the Bank is competitive compared to other ECAs.

Hochberg said the Bank's goal is to comment on U.S. competitiveness, to which we do a competitiveness survey. U.S. companies and their workers have the competitive tools to win orders overseas. Ex Im Bank is a competitive tool to help U.S. companies and workers compete against countries like China, Korea, Japan, Germany and France. So the Competitive Report shows how we can help meet the competition.

Increasingly the work on competitiveness and the report we'll do and how we'll amplify that is critical to understanding how we'll put more people back to work and really boost our economy.

Hochberg said that the four things affect an economy are consumer spending, government spending, reduced government employment and exports. At the end of this month the National Export Initiative will have completed two years. We need to grow exports at about 14.5 percent per annum in order to double exports. We're growing just over 16 percent right now. We are well tracking toward doubling exports over a five-year period and will be doing some work with exporters when those numbers are announced in mid-February.

Hochberg gave the committee a quick overview for the new members, explaining that the Bank is self-sustaining. The fees paid by our customers pay for all our administrative costs and loan loss reserves, and we've generated a surplus or profit to the Treasury. We make money so we are addressing the deficit in our country by the jobs we help to create and sustain and less importantly is the fact we are actually paying back to the Treasury additional funds.

Director Loui introduced herself and said that she had joined Ex-Im about a month ago and it's been a pleasure and an honor to be at the Bank. She noted the expertise in the staff and an increasing amount of market responsiveness with tools that respond to the needs of large and small business. She told the committee that she had come to Ex-Im from having run and owned a small business consultancy that focused on the Asia Pacific region, as well as worked in 14 countries in Asia with companies as diverse as Walt Disney Co., General Motors, and Washington State Apples.

Before that I was in banking with Bank of Hawaii which is in its second year as the number one bank in the country in the Forbes listings, and due to the excellent efforts of Mike O'Neill who will also join this Advisory Committee.

Prior to that, Loui was in Economic Development in Asia with United Nations Development Program and UNESCO, so I have a perspective of the importance of our work in exporting also in the context of economic development. She looks forward to working with the committee to extend the reach of Ex-Im and also on the Competitiveness Report.

Loui said she thinks there are many new challenges, not only from the non OECD members but also from those OECD members of developed countries who are doing the majority of their lending outside OECD rules. This is the challenge Ex-Im faces.

Director Walther introduced himself and told the committee that he had a career with the telephone industry. He said that after leaving the telephone industry with SBC, now AT&T, he consulted for a Texas company called Public Strategies. Governor Mike Huckabee asked if he'd work for him in his cabinet as the director of the Department of Economic Development for the state of Arkansas. Walther did that for about 3 ½ years and that's where his keen interest about job creation and international business arose.

After Governor Huckabee left office Walther moved to Washington, D.C. and became the director of the United States Trade and Development Agency under Bush 43. Because he has an interest in international business and developing jobs in the U.S. he is hopeful that through assistance at Ex-Im, to create a better life for developing and middle income countries.

## **INTRODUCTION OF NEW ADVISORY COMMITTEE MEMBERS**

Chairman Hochberg asked that each Advisory Committee member introduce themselves to the other members and to the audience. Please see Appendix A.

## **ETHICS BRIEFING**

**BY LISA TERRY, General Counsel's Office**

Lisa Terry introduced herself and told the committee about the ethics that guide the committee as a whole. She explained the status as an advisory committee member that they were not employees of the United States government, not subject to complicated ethics rules that apply to government employees, therefore they are not required to file burdensome financial disclosure statements, nor are they limited in the types of assets they may own. However, their position on the committee is one of public trust therefore, the Advisory Committee members must avoid any actions that are either unethical or appear to be unethical. She said that when acting in their personal or professional capacity not to use their position on the committee for private gain, either for themselves or for others.

She said they should not take advantage of any nonpublic information they may learn as an advisory committee member. They are not to use their position on the Advisory Committee to induce another to provide a benefit to themselves or to another.

In closing she said they should not use their position on the Advisory Committee in a manner that could imply that Ex-Im Bank sanctions or endorses a particular private entity's business.

## **COMPETITIVENESS REPORT**

**By ISABEL GALDIZ, Senior Policy Analyst & OECD Negotiations Coordinator  
Export-Import Bank**

Isabel Galdiz introduced herself and told the committee that this meeting was the kick-off to the 2011 report and that she will provide the committee a briefing on their responsibility with respect to the 2011 report. She said that Ex-Im Bank is statutorily required to provide an annual report to Congress on its competitiveness. As Advisory Committee members they are required to review the report and comment on its findings.

She explained that in 1971 Congress mandated Exim Bank prepare this report. At that time, we didn't have OECD international rules governing the provision of export credits.

Twenty years later, and after some rules had already taken effect at the OECD, Exim Bank introduced buyer survey and supplemented the report with ECA visits so it would be better able to describe the competitive landscape at that time.

Now, 20 years later, the Bank is at a critical moment looking at the Competitiveness Report and the landscape it has been describing for 40 years. Galdiz said that based on last year's report the Bank needs to look more closely at the new landscape.

To offer background information, Galdiz said that the Competitiveness Report is a mandated report the Ex-Im Bank Policy Group, has prepared each year. VP of International Relations, Piper Moffatt, and herself oversee the production of the report and work with the Advisory Committee to support whatever you need to complete your task of evaluating its findings.

The Report assesses Ex Im Bank's performance in meeting its mandate to provide competitive financing that neutralizes the financing offers of other export credit agencies by comparing Exim Bank programs and policies with those of our major competitors.

Last year our major competitors were defined as the G7 ECAs; now that universe has expanded. She found in 2010 that ECAs were critical players in combating the negative effects of the global financial crisis by providing much needed medium and long-term financing. She also found that it wasn't just the G7 ECAs that were critical, but also that there are three universes of medium and long-term export credit activity emerging:

- The traditional universe with the regulated financing provided by OECD ECAs and in conformance with OECD rules.
- The unregulated financing universe, also provided by OECD ECAs, but has programs that fall outside the scope of the rules.
- The financing from Brazil, India and China, non-OECD ECAs but significant players with respect to medium and long-term export credits.

What you see in the Competitiveness Report was a projected estimate of 2011 numbers. The purpose of the chart is not to project 2011 numbers, but to give the committee a proportional view of the regulated, unregulated, and the exceptional financing, which is what financing provided by China, India and Brazil, other non OECD ECAs is being called.

OECD business is a third of this unregulated and exceptional business. That's a landscape the exporters are seeing and one reported last year in greater detail than in previous reports.

The conclusion for last year's Advisory Committee was that Exim Bank had reached a tipping point. Information that was collected from was based on information provided by the other ECAs, exporter and banker surveys, information reported in the press, and information we were able to capture through at G11 level. However, there's a lack of transparency that makes it impossible to report on the exact numbers and exact offers. This is a 'very good' estimate based on the information we have based on Jim Cruse's lifetime experience with export credit in reviewing the annual reports of all the major ECAs, Piper's role in the Burne Union and the Bank's work at the OECD to help us support and defend the numbers we present.

However, the Bank must be careful that it isn't accusing OECD ECAs of violating the rules. If they are violating the rules, there are other tools at the Bank's disposal to try to combat that because, although these are programs provided in compliance with the rules, they are not governed by the rules. For example, separately there's exceptional financing provided by China, India and Brazil who are not parties to the OECD arrangement. So arguably they can't be called cheaters because they are not part of the rules. But they can provide financing that's outside the rules that could be in violation of other international committees.

So these questions we're discussing here really led last year's Advisory Committee to ask the Bank staff to study these programs and try to gauge the scope and nature of the competition. The chairman made a significant commitment in terms of resources and budget to proceed with this two-year study. This study will consist of a series of efforts that will focus on a foreign buyer survey. The Bank is currently in the process of working with its loan officers and others to identify the major buyers. We've identified international lenders, both users and nonusers of Ex-Im Bank, to speak as well as be visiting other foreign ECA counterparts, both OECD and non-OECD ECAs. However, It is not easy to identify a nonuser who's willing to have a long conversation about why they don't use Exim Bank products.

Regarding the Exporter and Banker Survey, which is the traditional target group of the Ex Im Bank Competitiveness Report, we're in the process of hiring a consultant that will help restructure the report based on the findings of this year's surveys. We'll restructure the Exporter Banker Survey and that will form part of the 2012 Competitiveness Report.



Regarding the timeline and the Advisory Committee's specific role, Galdiz asked them to review last year's report. She said the Committee will have until May of 2012 to look at the report and consider it before the draft of the Competitiveness Report for 2011 is completed. In mid-May Chairman Cunningham will circulate a draft statement that will include the Committee's comments on its findings and any recommendations it may continue as the recommendations from last year's Report.

The Committee must be responsive because there is a quick turnaround time shortly after the next meeting where they will have to provide your final comments to Chairman Cunningham. These comments will be included in the final draft that must go to the printer in order to make the June 30 deadline to be delivered to Congress.

**GUEST SPEAKER DR. ALAN KRUEGER**  
**Chairman, Council of Economic Advisors**

Chairman Cunningham welcomed Dr. Krueger and asked Vice Chair Felton to introduce him to the committee.

Vice Chair Felton thanked Dr. Krueger for agreeing to speak to the group and said that Dr. Krueger is the chairman of the President's Economic Council and a distinguished professor at Princeton University, widely published on a number of topics having to do with economics of education, unemployment, labor and terrorism. He was a founding director of the Princeton University Survey Research Center and has many honorifics, too many to name. He has been Assistant Secretary for Economic Policy and Chief Economist at the U.S. Treasury Department in 2009, and again is currently chairman of the president's Council of Economic Advisors.

Dr. Krueger thanked the committee and said he'd like to spend a little bit of time describing how he see the recovery going and the nature of the economic crisis which is related to the pace of the recovery and say a little about the external world, and exports in particular.

He agreed and quoted the President, "We didn't get into this mess overnight, and it's going to take awhile to get out of it". Krueger said America had a stagnant median income growth in the 2000s before the recession. It was the only recovery where the median family lost ground after adjusting for inflation. America had decades of rising inequality. The Administration related to both those facts, had far too much borrowing as a way of funding consumption as opposed to income growth. There were other types of imbalances such as a trade imbalance, a government budget, which was balanced at the end of '90s, was out of balance in the 2000s. On top of that there was the enormous bubble in the housing market, and when that crashed the economy came to a standstill.

However, regarding Consumption, he said the pattern over the last nine quarters which is the period of the recovery, growth had been moderate for a recovery. The growth in durable goods is pretty close to the average recovery. However, Services have lagged behind and really stand out as unusual compared to other recoveries. Looking more

deeply at which components of Services, they tend to be the types of things that are discretionary like going out to restaurants, getting haircuts, or buying auto insurance. Weak consumption growth is related to the fact that consumers are deleveraging and putting off getting a new car, or a new refrigerator. This can also be related to exports. As one would expect after people put off buying durable goods and making do with an older car, than when it comes to jobs, this is extremely important. He said Services accounts for about half of GDP and well over half of the jobs. There's a lot more jobs per dollars spent in Services than in durable goods production.

Dr. Krueger said the other sector lagging behind is State and Local Government. He said it is unprecedented to have a recovery when state and local government's workers are laid off. When people say the Recovery Act didn't have any beneficial effect, he said you can point to the evidence that when the Recovery Act money started phasing out for the state and local governments, that was when America started seeing state and local layoffs at higher rates than normal. He said this is related to the nature of the crisis because local governments in particular are reliant on property tax revenue.

Related to exports, he noted regarding equipment and software that the business sector has been helping. Corporate balance sheets are relatively strong. He made a distinction between small businesses and large businesses because large corporations are in a much stronger financial position than small businesses. Therefore, a good deal of effort has been devoted to trying to support small businesses. I think we particularly face a problem with start-ups.

However, exports have been a bright spot for lots of reasons. The U.S. has a highly productive economy that produces products the rest of the world wants. And it is done in spite of America's high wages because it's done efficiently and that's why there is such a large volume of exports.

The current risk most people put at the top of their list for the economy is what's going in Europe, and that's a risk not only through financial channels which have been getting a lot of attention, but also because of the demand for American exports. About 20 percent of America's exports of goods and services go to Europe, with about 15 percent going to the Euro zone. In the weeks to come it will occur to others to look carefully at whether the data was seasonally adjusted, or if it covers the whole Euro zone or the entire EU.

It is a fortunate situation where the slowdown in Europe has not affected American exports yet this is unlikely to continue. Also, it's a case that, for advanced countries like the U.S. and European countries, their imports are sensitive to their economic growth which will affect our exports to them.

Another topic Dr. Krueger mentioned is how the financial problems in Europe will affect American exporters? When looking at the risks from the problems in European economies to us, America can handle a routine recession in Europe that could shave 2 or 3 tenths of a point off GDP growth, in that range. What is much more worrisome is a severe financial crisis like in 2008. That is a bad situation for the entire world. There are

many other scenarios in between, and it's easy to envision how their banks will be pulling back, deleveraging, given their situations with implications for our exporters.

Dr. Kreuger said that at the CEA, one role played for the President, is to try to keep a close eye on trends developing around the world that affect the U.S. economy. He said the U.S. economy is continuing to heal and described the recovery as a tug of war between Kindleberger's curse and Zarnowitz's loss. Kindleberger's curse is that financial crises had to have a deeper recessions and slower recoveries. Zarnowitz argued that if you have a deeper recession you can have a stronger bounce-back. America has been somewhere in between those, but every time it seems its getting on a stronger path something from the financial crisis comes back and slows America down.

He said that the natural tendency for the U.S. economy is to recover from recessions, and in spite of all the headwinds America has had nine straight quarters of growth. There are signs of a great deal of painful adjustments, but a lot of that has passed. America is in a stronger position now to weather any shocks that might be coming, and if it can get some serenity from problems in Europe it will see continued expansion in the U.S.

## **LEGISLATIVE UPDATE**

**SCOTT SCHLOEGEL, Sr. VP, Office of Congressional Affairs**

### **Export-Import Bank**

Scott Schloegel thanked the committee and told them that the Bank is affected by congress through its Charter and its reauthorization period. Congress has to periodically reauthorize the Bank's charter and can insert or delete particular items during that time. The last charter reauthorization was in 2006 and the current charter expired on September 30. Currently the Bank has been carried through on a Continuing Resolution. He said that on December 2<sup>nd</sup> a bipartisan, bicameral agreement was reached between the House and Senate Authorizing Committees (The House Financial Services Committee and the Senate Banking Committee) where they attempted to insert the Bank's charter into the Omnibus Bill scheduled to be introduced. But, although the Bank requested a four-year reauthorization, it is unlikely to be included due to some concerns; 1) on the House side the Majority members had not had a chance listen to opposing arguments for and against the reauthorization, 2) there is an objection about the amount of the exposure cap, and 3), the current ATA Delta lawsuit.

Different from the timeline of the Charter, each year Exim Bank goes through the appropriation process and Congress authorizes a certain amount of money for the Bank to use. In FY '11 Exim Bank received \$83.9 million for its administrative budget, and \$58 million for its program budget. In addition, the Inspector General received a \$2.5 million budget.

For the Bank's FY '12 the bank requested \$124.6 million for its administration budget and \$76.4 million for its program buget, while the request for the IG was \$4 million.

Schloegeel said that in the House markup they gave Exim Bank \$83.7 million for the Bank's administrative budget and the Senate gave \$89.9 million. The program budget was slightly cut, but the Senate held its program budget to \$58 million. Schloegeel suspects the final amount will fall somewhere between \$83.9 and \$89.9 million in the Omnibus bill.

Regarding the Bank's exposure cap, he said it is currently \$100 billion but the administration asked that to be raised to \$140 billion to accommodate a \$10 billion per year increase between now and the end of the next authorization. The House passed HR2072 which included a \$160 billion exposure cap increase, and the Senate requested a \$140 billion. After the two sides negotiated, they ultimately agreed to a \$135 billion exposure cap. Schloegeel said the Bank will continue to work with the House and Senate to finish the reauthorization. A short term extension in the Bank's authorization will afford it the opportunity to strive for a four-year reauthorization.

Other than the money issues, he noted that there are other substantive issues to deal with during this re-chartering process such as a provision that would require the Bank to review its content policy and report back within a year's time. There are also changes to the Iran Sanctions policy that would apply to all petroleum products rather than the current few. It also brings in Cicada, which gets into sensitive technologies, supplying to Iran as well as a third provision involving OFAC, the Office of Foreign Asset Control in Treasury. He said the Advisory Committee would be required to include a textile industry representative to its group, as well as the inclusion of several reports that would have been developed and report the results back to Congress. There's a provision for categorizing why the Bank does loans and another provision asking the Bank for an explanation if it exceeded the 2 percent default rate measures were taken to correct the matter.

## **YEAR END WRAP UP FOCUS FOR 2012**

**By Chairman Fred Hochberg**

Chairman Hochberg said he wanted to focus on two items: 1) to provide a layout of the landscape for competitiveness that came out of the 2010 Competitive Report, and 2) get a solid vision of the competitive landscape.

He noted from the 2010 Competitiveness Report the way G7 (Canada, United States, Britain, France, Germany, Japan and Italy) countries provide export support. Until about 2005, those 7 countries provided the predominance of the amount of export credit and financing. However, in 2006, for the first time Brazil, India and China actually equaled the G7, and now those three countries provide more support for exports than all the G7 countries combined. This shift came in one decade, whereas, in 2002 the U.S. was the largest exporter of manufactured goods in the world, overtaken by Germany and most recently Germany was overtaken by China.

The Bank has looked at India, South Africa and Germany where for 10 years the US dominated those markets, versus China. However, China is a far larger exporter to those three markets than the U.S. is today. This is a challenge the Bank must meet.

He said that when Ex-Im Bank was given a \$100 billion ceiling several years the Bank's portfolio was in the 30 million. However, based on the amount of business we're seeing already, much of requested \$135 - \$140 billion will be utilized. We currently have a pipeline that exceeds \$20 billion already for 2012.

2011 completed a record year of \$32.7 billion in loans, guarantees and insurance. 2010 was \$24.5 billion and 2009 was \$21 billion. Looking over the last 3 years, the Bank did \$14.4 billion. This is about 120 percent more in loan activity than 3 years ago brought about for three reasons: 1) exports are up dramatically; 2) America had a severe financial crisis that's continuing, and 3) Exim Bank is also more focused on emerging economies where banks have been reluctant or pulled back.

Hochberg said some other noteworthy items were that Sub Sahara Africa exceeded \$1 billion. Renewable energy is at an all-time record. Small Business topped over \$6 billion, or about 18.5 percent, but fell short of the 20 percent congressional mandate. The aircraft division grew from \$7 billion to \$12 billion in financing. Infrastructure, which includes aircraft, transportation, project and structured finance, has fueled the growth of our portfolio.

In addition, each year Exim Bank has taken in revenue to make a loan loss reserve account. This account has been in the \$800 to \$1 billion a year. From this collection of funds, the Bank has an administrative cost, then the balance is returned to the Treasury. In 2011 it returned \$275 million to the Treasury done through Congress as a rescission.

Hochberg said that another focus for the Bank is on small business. The Bank will need to authorize more than \$7 billion for small businesses. The bank has everything in place to generate almost \$7.5 billion in small business loans, and by the time we get to a doubling of exports we'll be looking at close to \$9 billion a year for small business. That's why the Bank wants to engage its city/state partners, its brokers, its active banks and small business owners. The Bank reached 3,600 customers last year.

Regarding job creation, Hochberg said the Bank has authorizations close to \$33 billion. This was worked through a formula viewing the entire supply chain and not just the last stop in the manufacturing process. Using that data we sustained or created 290,000 jobs, about double what it was 3 years ago.

For 2012 Exim Bank has set the ambitious goal of 80 percent of all applications to be acted on within 30 days, and looking for 95 percent to be done in 100 days because if the Bank doesn't provide fast turnaround time to our exporters, they will lose the possibility of getting the order and securing the bid.

**PUBLIC COMMENTS: None. Meeting adjourned**

**Exim Bank Advisory Committee Meeting**  
**Minutes Summary**  
**March 20, 2012**  
**11:00 A.M.**

*Unofficial*

An open meeting of the Advisory Committee of the Export-Import Bank of the United States (“Ex-Im Bank” or “Bank”) was held Tuesday, March 20, 2012 in the Main Conference Room of the Ex-Im Bank building, located at 811 Vermont Ave., NW, Washington, D.C.

The following members of the Advisory Committee, constituting a quorum, were present: Chairman Nelson Cunningham, Peter Baranay, Leslie Bergland, Fred Bergsten, John Brislin, Owen Herrnsstadt, Thea Lee, Nancy Mercolino, Deven Parekh, Garrett Piece, Randy Zwirin.

The following members of the Advisory Committee were absent: Michael O’Neill, Steven Parrish, Daniel Tishman, and Kelly Williams, Joanne Witty, Kirk Wagar.

The following members of the Ex-Im Bank Board of Directors were present: Fred P. Hochberg, Chairman and President, Wanda Felton, Vice Chair, Sean Mulvaney, Director, Patrica Loui, Director,

The following member was absent: Larry Walther, Director.

**CALL TO ORDER**

**Nelson Cunningham, Chairman, Ex-Im Bank Advisory Committee**

**Chairman Cunninham** called the room to order and informed the committee that the purpose of the meeting was to reconstitute the subcommittees that operated in 2011, which would focus and offer insights into the Bank’s challenges. He then turned the floor over to Chairman, Fred P. Hochberg.

**Chairman Hochberg** told the committee that today was the launch of the G-11 meetings, which consisted of the countries of Brazil, Canada, China, France, Germany, India, Italy, Japan, Russia, The United Kingdom and The United States of America. He said this group gathers twice a year to discuss the role in export financing and global competitiveness.

The Chairman then told the group that the Bank had launched a program titled, Global Access, which is an educational program where small businesses around the nation can learn about the various financial products available from the federal government, and that the Bank had performed 35 Global Access events in 2011 and intended to continue into 2012. Hochberg then asked each of the board members to give a brief summary of their latest activities.

**Director Patricia Loui** told the committee that she and Chairman Hochberg had traveled to Vietnam and Indonesia where they secured a few sovereign guarantees in Vietnam and built good-will bridges in Indonesia. In 2011 the Bank did \$1 million in authorizations and is looking to do more in 2012. In Indonesia, they met with both the public and private sectors to lay the groundwork for rising opportunities in the transportation industry.

**Vice Chair Wanda Felton** told the committee she had visited the continent of Africa three times in the last eight months. She visited Nigeria, Ghana, Mozambique, Tanzania and South Africa. Adding, that the trip to South Africa was a trade mission sponsored by the State Department in which American companies were introduced to exporting opportunities in the power and agriculture industries. She said Exim Bank announced the offering of a Letter of Interest in Ghana in support of General Electric's sale of locomotives for the mining sector.

**Director Sean Mulvaney** said that his travel was domestic and he had been speaking to members of Congress so they could better understand the reauthorizing the Bank's charter, as well as its Competitiveness Report. He said, as a Republican, he tries to ensure that both political parties understand the importance of Exim Bank. Regarding small business, he was recently in Texas to promote the US/Columbian trade agreement so Texas exporters would consider Columbia a country in which to export.

**Chairman Hochberg** then gave the committee a summary of the First Quarter activities. He said the First Quarter report showed smaller numbers than last year because there are still many transactions in the pipeline. He said that, although the Bank only reached 18 percent of its small business mandate of 20 percent, the number of new small business customers went up 10 percent. Also, the Bank launched the Express Insurance program, which will help small businesses take advantage of bond markets. Later in the month, the Bank will be launching a new working capital product called Global Credit Express. In addition, the Bank will be opening four new satellite offices in the cities of Atlanta, GA, Detroit, MI, Minneapolis, MN, and Seattle, WA.

Regarding the National Export Initiative of doubling exports in five years, Hochberg said the Bank is 22 months into the initiative and exports is up 15.5 percent. It is on a good trajectory for meeting its goal, even if performance would drop to a compounded 14 percent.

## **LEGISLATIVE UPDATE**

### **Scott Schloegel, Sr. Vice President, Congressional Affairs**

**Scott Schloegel** explained to the committee that the Exim Bank must be reauthorized by Congress where the average length of time is four years. In addition, Congress also sets the exposure limit of the Bank. Currently the limit is set at \$100 billion. However, for the upcoming reauthorization the Bank has asked Congress to increase the limit to \$140 billion. Although the House passed legislation increasing the limit to \$160 million, the Senate has a bill requesting \$140 million. Also, a bill is being circulated by Representative Cantor which asks for a short term, 12-month extension and an increase to only \$113 billion. Schloegel said that the

Senate bill will be attached to the Jobs Bill; essentially giving the Bank a \$140 billion exposure cap plus reauthorization for another four years.

Regarding other legislation affecting Exim Bank, he said that Congress voted to allow the Bank to use \$6 million dollars of the \$700 million it generated in 2011.

## **BANK PORTFOLIO UPDATE AND TRANSACTIONAL HIGHLIGHTS**

### **John McAdams, Sr. Vice President, Export Finance**

**John McAdams** gave the committee an overview regarding the performance of the various divisions. He said the Operations Division, a small group who did 1,000 disbursements in 2011, issued over 17,000 insurance policies and 23,000 participant records in 2011. He said the bank did \$22 billion in infrastructure deals; \$9 billion in the structured and project finance division and \$12 billion in the Transportation division. There were several deals of \$1 billion or more being processed.

McAdams expressed concerned about the Bank's exposure cap not being raised during the reauthorization because he said the total portfolio is about \$90 billion and there were still several billion dollars of transactions in the pipeline waiting to be approved. He said the challenge has been getting foreign banks to help support a percentage of Exim Bank's transactions. Most banks are reluctant to make long-term loans, even with the full faith and credit of the US government. However, they have found some banks willing to fund some major projects.

## **SMALL BUSINESS GROUP PRESENTATION**

### **Charles Tansey, Sr. Vice President**

**Charles Tansey** told the committee that of the 27 million small businesses in the country, only about 260,000 are already exporting, and another 70,000 may be ready for the Bank's products. It is the 70,000 that his team focuses on for business. Currently, the Bank supports 2,500 small businesses, but, as the world becomes more global, it is necessary for the US small businesses to get into exporting in order to grow.

Tansey said that in 2011 the Bank authorized \$1.5 billion for small business, or 18.6 percent of its 20 percent congressional mandate. He said that the national export initiative, if it were to reach its goal of doubling exports in five years, means that the small business group must generate \$9 billion by 2015. Therefore, 5,000 new small businesses need to be collected and supported. However, regarding the method of calculating the number of businesses, there has been a computer glitch discovered in the accounting program regarding the definition of small businesses. His division is working to get this resolved, but it can mean the reporting difference of 200-300 businesses.

Tansey explained that the Bank's biggest suppliers of customers are the commercial banks and brokers. The two products promoted the most are Exim's Trade Credit Insurance and its Working Capital program. The problem is that even though Exim has 165 brokers, only 80 are



active. And even though Exim has 180 registered banks, only 70 are active, with most of the business being generated from 14 banks of this group.

He said because small businesses hesitate to export outside the US, and that Exim's products are harder to work and not as profitable, commercial banks choose not to use Exim Bank. To commercial banks, small businesses tend to need smaller loans, but require more attention. This makes them unprofitable and time consuming.

To combat this perception, Exim has worked for the last 18 months to focus on three objectives: To automate the underwriting process so deals are approved faster, to better manage the credit portfolio by reviewing the types of loans rather than the individual deals, and to increase its product marketing and sales strategies. In addition, the Bank has combined its Global Credit Express program with the Express Insurance program. This will enable a small business' receivables to be protected while getting a discounted rate for the financing.

Tansey said that his division is still working on the Supply Chain program and will soon be bringing larger businesses into that program. Although none have signed up, many are in the evaluation process.

## **RENEWABLE ENERGY PROGRAM UPDATE**

**Craig O'Connor, Director of the Office of Renewable Energy and Environmental Exports division.**

**Craig O'Connor** told the committee that renewable energy is an industry where a government provides mega wattage incentives, but then shifts down the subsidies. The Exim Bank is carving out a space in the world market, making them the fourth or fifth largest lending facility in the renewable energy industry. The Bank has more than doubled its FY2011 portfolio from \$330 million to \$721 million. An example of this growth is the solar project developed with the Indian government's National Solar Mission. India's Minister of Energy is working to put in place 20,000 megawatts of solar energy and then double that figure by 2022. Germany is America's biggest competitor, and Exim Bank is looking to compete in countries like Canada, Vietnam and Brazil to increase its portfolio.

## **COMPETITIVENESS REPORT FOR 2012**

**Piper Moffatt, Vice President, International Relations**

**Piper Moffatt** told the committee that the Competitiveness Report is required by Congress each year, and that the report is a reflection of how Exim Bank compares to its counterparts in the areas of interest rate standards, the repayment terms, the aircraft program, the Bank's content and economic philosophy and its trade aid programs. The Bank collects this information from its customers through the use of a survey. However, she said the report only had a 37.5 percent response rate. But, to increase the response rate for next year's report, the Bank had hired a professional survey company to evaluate its current methodology and make recommendations in order to obtain a higher return.

Moffatt said that although the response rate was low, it still gave the Bank an idea of what was happening in exporting. She said they discovered that there are two different worlds of exporting: One within the OECD rules and the other outside of the OECD rules. The committee will have more information on these finding in the report when they receive the draft in late April. She requested that the committee return their comments to the Advisory Committee Chairman so a final comment letter could be submitted in time for the report to be printed.

## **NEW BUSINESS**

### **Nelson Cunningham, Chairman, Ex-Im Bank Advisory Committee**

**Chairman Cunningham** told the committee that they would be divided into four subcommittees again this year. Although he has not determined which members will sit on each subcommittee, he said he would send them their committee assignments in the next two weeks.

He said the first committee would have the task of focusing on the Competitiveness Report and take the responsibility of examining the report line-by-line in order to prepare recommendations for the May 2012 meeting. In addition, he wanted this committee to focus on the data collection process and to begin preparing recommendations for the following year as well.

Cunningham said the second subcommittee is to focus on small business. These members are to examine the importance of the small business community, the small business goals that Exim Bank must reach as directed in the charter, and to offer recommendations for improvement and outreach.

The third subcommittee is to focus on the Bank's environmental policy and how the Advisory Committee members can assist the bank in responding to its mandate.

The fourth subcommittee is to focus on "public engagement." They are to examine how the bank can reach out to its current and potential customers, as well as the local communities and members of congress, in order to educate them about the mission and financial support the Bank has to offer.

Cunningham said that most of the work for these subcommittees should be done during the summer, off-line between official meetings. With the exception of the Competitiveness Report subcommittee, the members are to present their findings and recommendations at the final meeting in September.

## **PUBLIC COMMENTS**

**Nicole Ghio**, of the Sierra Club thanked the committee chairman and said it was appreciated that Exim Bank puts resources into its renewable energy program. She then said her organization was concerned that Exim Bank had approved over \$900 million in financing for the Sasan Power

Plant in India, which is affiliated with a company named Reliance Power, because she believed the deal went against Exim Bank's carbon policy.

She said the Sierra Club has watched the rising price of international and finds that many of the coal plants around the world are on the verge of bankruptcy. In addition, the Indian coal minister has recommended a freeze on all new coal projects. Upon further research, she discovered that there had been a smokestack collapse that killed over 30 workers prior to the Bank's approval, and that Reliance Power had applied to Exim for two new coal projects. She then asked Chairman Hochberg why the Bank did not seem to have an independent accountability mechanism in place to ensure the projects financed are doing as they were intended.

**Chairman Hochberg** replied that Exim Bank does have an environmental policy and any project that is approved falls within the policy. Additionally, the Bank requires the requesting country to have a forward-looking approach to energy. But, because India may not have the resources to supply its energy demand, other countries assist them to move forward in their plans. In those cases Exim Bank cannot stop them, or impose its policies. He said this is where NGOs like the Sierra Club can help encourage all countries to have similar policies and standards.

**James Mahoney** said that, regarding the Sasan transaction, Exim Bank received only a small percentage of the entire project, but within this small portion, the Bank was able to hold them to the environmental guidelines and have a voice in the carbon policy discussions. One outcome of this matter was a memorandum of understanding signed between Exim Bank and Reliance regarding a renewable energy program. Unfortunately, India's demand for energy is so high that Exim Bank anticipates six or seven separate transactions for different buyers of renewable energy just to meet the demands.

He said that these transactions will move forward regardless of Exim Bank's participation, but if the Bank can obtain even a small segment of the project, it can impose its environmental guidelines if they meet the requirements on the carbon policy. The Bank hopes to offset any accountability mechanism with its transparency requirements. Also, it dispatches an environmental specialist to monitor Sasan for their compliance. Mahoney then invited Ms. Ghio to meet with him in April after the specialist returns.

Meeting adjourned at 3:00pm.

**Exim Bank Advisory Committee Meeting**  
**Minutes Summary**  
**June 8, 2012**  
**11:00 A.M.**

*Unofficial*

An open meeting of the Advisory Committee of the Export-Import Bank of the United States (“Ex-Im Bank” or “Bank”) was held Friday, June 8, 2012 in the Main Conference Room of the Ex-Im Bank building, located at 811 Vermont Ave., NW, Washington, D.C.

The following members of the Advisory Committee, constituting a quorum, were present: Chairman Nelson Cunningham, Peter Baranay, Leslie Bergland, Fred Bergsten, John Brislin, Owen Herrnsstadt, Thea Lee, Nancy Mercolino, Michael O’Neill, Deven Parekh, Garrett Piece, Kelly Williams, Joanne Witty, Randy Zwirin.

The following members of the Advisory Committee were absent: Steven Parrish, and Kirk Wagar.

The following members of the Ex-Im Bank Board of Directors were present: Fred P. Hochberg, Chairman and President, Wanda Felton, Vice Chair, Sean Mulvaney, Director, and Larry Walther, Director.

The following member was not present: Patrica Loui, Director

**CALL TO ORDER**

**Nelson Cunningham, Chairman, Ex-Im Bank Advisory Committee**

**Chairman Cunningham** opened the meeting and reminding the committee of the three items on the day’s agenda: First, to hear from Mr. Michael Froman, assistant to the president for international economic affairs. Secondly, to welcome Mr. Richard Trumka, the head of the AFL-CIO, and finally, to discuss the Advisory Committee’s recommendations that are to be inserted into the Competitiveness Report which is due to Congress at the end of June, 2012.

**GUEST SPEAKER**

**Michael Froman, Deputy Assistant to the President and Deputy National Security Advisor for International Economic Affairs.**

**Michael Froman** thanked the committee for their time and reminded them that in President Obama’s 2010 State of the Union address the president introduced a national export initiative in which he called for the doubling of exports within the next five years. He said the US has achieved a record level of exports of \$2.1trillion and either created or supported 1.2 million new jobs due to a five part strategy of the Administration. One part of this strategy is an overall macroeconomic approach to spur balance and sustain growth around the world.

The second part is through the US's trade policies. For example, of the three Foreign Trade Acts signed with Korea, Columbia and Panama, two have gone into effect. He also said the US has reached the broad outlines of an agreement in the Trans-Pacific partnership and is making good progress with Japan, Canada and Mexico towards a final agreement.

The third part is through trade enforcement towards unfair practices by using US trade laws and various trade agreement rights in the WTO. The Administration has moved forward by appointing a director and a deputy director at the Trade Enforcement Center, as well as obtained additional people and office space in order to bring cases forward and start investigations. He believes this action will help the US to negotiate new trade agreements and to liberalize trade by showing other countries that the US will enforce current trade rights and agreements.

The forth part is developing an export promotion synergy between the 12 agencies involved in promoting exports. In the absence of legislation, by increasing resources and having these agencies work more closely together, they can provide customers with a one-stop-shop portal regarding customs, shipping or exporting logistics.

The fifth part is by being more creative with its support in trade finance. By providing and expanding its capacity, and by using multiple products from multiple agencies, the US can ensure that it is doing all it can to provide financing for exporting businesses. Froman said the combination of these five parts is critical to the overall initiative of job creation and growth in the US.

Committee member **Fred Bergsten** asked why the area of service exports had not been expanded upon in the initiative. He said his institute reported that 60-70 percent of business and professional services, which generates two and a half times as many US jobs as the manufacturing sector, can be exported yet they have not received the attention that manufacturing has received over the past years.

Froman replied that although services are an exportable product, the problem becomes how it is to be measured. In the past, countries have had discussions regarding the measuring of industrial and agricultural tariffs, but have realized there is a need to reduce barriers at the border in the area of IT and services. Many likeminded countries are coming together and in the discussions with the EU, there is talk of a possible US/EU trade and investment agreement. However, until a method of measuring the performance of services can be developed, these will remain as discussions.

Committee member **Owen Herrnstandt** asked Froman to consider a better way to calculate how exports actually support or create jobs. He said the current methods in which jobs are measured in an export are outdated. Regarding the enforcing trade violations, he asked Froman to consider subsidy claims on China because its lack of transparency is a hindrance in the area of large commercial aircraft production.

Froman replied that when counting a job, the Administration is careful not to say "create" because the supported job may have come from another part of the economy, such as the construction industry. Many committees have pondered how to measure this situation, but the

consensus of some economists is that they calculate we can support 5,500 per billion. Regarding China's practices, Froman said the US and the Chinese have had a dialog about China's ECA and its practices. China has agreed to enter into a discussion of putting disciplines on the ECAs by 2014. However, it is early in the discussions and they are only exchanging information.

## **EXIM BANK UPDATE**

### **Fred P. Hochberg, Chairman and President, Export-Import Bank**

**Chairman Hochberg** thanked the committee for their work on the competitiveness report and for their support of the reauthorization by spreading the word in their states and industries. He said that Congress authorized the Bank for three years. In March of 2012, the Bank recorded it had supported \$186.6 billion in exports, the largest amount in a single month. In the last twelve months the Bank has topped \$2.1 trillion and 14 percent of authorizations.

He said small business is doing the same as last year, but looking to surpass its final 2011 numbers. Since most of the Bank's exporting is in Asia, Latin America, and sub-Saharan Africa, the current Eurozone issues have not impacted Exim Bank as yet.

He said the Bank's long-term project finance area is running slightly less than last year but has much in the pipeline that can change these numbers. The Bank has authorized \$3 billion in support to Australia for mining, whereas, last year it did only \$9 million.

So far in 2012 Mexico is up one billion dollars from last year of \$1.5 billion. Hochberg noted that China used to be the largest single area of the Bank's portfolio, but now doesn't even make the top ten. So far this year, the Bank has only supported \$1.2 billion in exports for China. However, there is still room to do more for the private sector in China and some small businesses in the US. However, the Bank is providing support of \$2.95 billion to L&G to China and SE Asia. This is the second largest financing it has done in its history. It is the first time the Bank has done business with China Eximbank. The Bank anticipates seeing more business in structured project finance where there is a need for financing of 12 years or longer, which is difficult to find in today's banking system.

Regarding the Middle East, the Bank has supported half a billion dollars for Saudi Arabia and \$1.2 billion in the UAE. The Bank's next project is in Rio de Janeiro where methane gas from a large landfill is being turned into burnable fuel to generate energy.

Hochberg said it took more than a year to make advances with how the Bank will work with MARAD and the US maritime industry. Mostly by creating more transparency, the Bank is working to remain competitive without MARAD becoming an impediment to export sales due to its requirement of shipments over \$20 million having to go by a US flag carrier.

## **LEGISLATIVE UPDATE**

**Scott Schloegel Sr. Vice President, Office of Congressional Affairs**

**Scott Schloegel** told the committee that congress had passed the Bank's reauthorization bill and the President signed it without hesitation. The bill gave the Bank a four year authorization window and an increase to \$140 billion. More specifically, the bill increases the Bank's exposure cap to \$120 billion immediately and then steps it up to \$140 billion as long as the Bank meets certain criteria in the next couple of years. The bill requires quarterly reporting by the Bank on its default rates, the review and publishing of the Bank's content guidelines, the additional disclosure of the Bank's economic impact data, and to submit a report on the Bank's supply chain financing as part of the annual report. In addition, the Advisory Committee must add a new representative from the textile industry, as well as comment on the Bank's domestic content policy and its support of the textile industry.

Regarding the Program and Administrative budgets for the Bank, the House increased the program funds to \$38 million plus authorized the Bank to use an addition \$5 million from the fees the it collects on its transactions. The Senate gave the Administrative funds of \$103.9 million. However, both bills have passed out of committee, but yet not gone to the Floor for a vote. Schloegel anticipates an Omnibus appropriations bill to be done later in the year or early in 2013.

He said the Bank is eight months into the new reauthorization term and his division is already preparing for another reauthorization fight in 2.5 years. Some of the issues that will resurface are having to negotiate an end to export credit financing, which will remain with the more conservative portion of the Tea Party in the House and Senate, and the environmental financing for renewable and clean energy as well as fossil fuel financing.

## **STATUS OF THE COMPETITIVENESS SUBCOMMITTEE REPORT**

**Garrett Pierce, Subcommittee Chairman**

**Garrett Pierce** told the group the subcommittee met numerous times over the past months in anticipation of the final report. The members met with the Bank's staff, Piper Moffatt, Isabel Galdiz and Mona Jabbour where the meetings were constructive and gave the subcommittee a better understanding of the complexities of the process in constructing the report. He said the 200 page report will give the full committee a view of the current competitive landscape in which the Bank functions.

## **GUEST SPEAKER**

**Richard Trumka, President – AFL-CIO**

**Richard Trumka** said that exports were critical to American manufacturing, and that manufacturing is the linchpin for middle class workers of both large and small businesses. He reminded the committee that its function is to improve the US economy by growing exports and supporting American companies. He said it was important for the Bank to have a fair and

predictable process to assess the comprehensive economic impact of its loans and to keep its domestic content provisions strong, and to enforce them consistently and aggressively.

Trumka said that, for the first time as a measure of national security, economists throughout the political spectrum are talking about the revival of jobs as opposed to simply stating what is being manufactured in the US and the financial status of American families. He said 72 percent of the economy is driven by consumer spending. And if a family doesn't have the income to spend, then there is no product demand and the economy won't grow.

He said productivity and wages are linked. From 1946 to 1973 productivity in the US doubled along with its wages. This meant that people at the bottom of the workforce were financially growing faster than those at the top, causing the wage and inequality gap to shrink. Unions represented 40 percent of the work force, which drove the wage for both union and nonunion workers. Then, in 1973, wages began to flatten but productivity continued to grow. In addition, fewer workers had collective bargaining protections and the wealth of the country was spread less evenly.

Today, the AFL-CIO believes by adding 4 million manufacturing jobs it could eliminate the trade deficit within five years. He said America should seek to rebuild manufacturing to 18 – 20 percent of the GDP, and this is where Exim Bank is crucial to make that happen. One way is for American leaders to continue to enforce the trade laws. When this is done, businesses compete on a level playing field. In addition, like Europe – who implements it well - America should establish its own national industrial strategy where taxes, trade, education, infrastructure, and government procurement become a cohesive plan to move forward.

In conclusion, Trmka said that American leaders need to understand and accept the role empowered workers play in a successful, industrial economy and that they have the right to organize, bargain collectively and voice their opinions. When workers come together they negotiate good wages, better benefits and put an emphasis on safe jobs. Workers are the backbone of America and should not be looked upon as a cost burden. He seeks to have the worker and the employer come together to create jobs, as opposed to being at war with one another.

## **INTRODUCTION TO THE COMPETITIVENESS REPORT**

**Isabel Galdiz, OCD Negotiations Coordinator, International Relations**

**Isabel Galdiz** explained that it is the role of the Advisory Committee to comment on the report and prepare an opinion letter that is to be included in the final report. They are not to rewrite the report but only comment on its contents. Because the report is mandated by Congress to include specific terms of financing alongside the Bank's competitors, they solicited surveys from lenders and exporters. Also added this year was a benchmarking study regarding buyers.

She said the report shows a detailed examination of the three universes of export credit support: One regulated by the OECD rules, one of unregulated tools from other ECA programs whether untied financing or overseas investment, and one of non-OECD export credit financing. The



report found that, due to the EU's sovereign debt crisis and commercial bank preparations for implementation of Basel III, long-term fixed rate financing was scarce. However, the Bank's direct loan fixed rate CR financing was highly competitive among the strongest export credit agencies of OECD financing.

Galdiz said the services policy was downgraded due to complaints regarding the eligibility of services. Indications from exporters showed they would like the Bank to develop a policy that supports the service exporters rather than the services exported. She said the environmental carbon policy was upgraded due to the neutral responses they received compared to the negative responses from last year. Galdiz said the Bank received overall scores of A minus and B plus for project finance and interest rates, respectively. The report revealed a considerable overlap between available financing from non-OECD countries for overseas investment in untied financing which offered buyers a menu of options to choose from.

She concluded by telling the committee that a continuing problem is getting enough responses to obtain real data. Of the 58 surveys sent out, only 28 were returned. The other were not returned due to bad contact information or disqualified for various reasons. The Bank will continue to develop a better way to obtain a higher response rate.

Chairman Cunningham thanked Isabel and reminded the committee that they had to have their comments back to him so a final letter can be produced and submitted with the report.

#### **PUBLIC COMMENTS**

Mr. Dave Debor, of the Roll On/Roll Off Carrier company told the committee that his company is an American company who provide jobs for merchant seamen, vendors, and employees. His company pays American living wages which is not the same as the rates of China, Pakistan, or the Philippines. He urged the committee to find ways to continue to promote jobs through laws, policies and regulations without destroying the jobs themselves. He commended Chairman Hochberg on the MARAD agreement and said it will help dispel the urban legend about US cargo preferences being too expensive. He did agree that it was hard to compete with China when China pays the crews a Chinese wage, as opposed to an American wage. He concluded by saying that 90 percent of the goods expelled in the war effort was carried on a US flagship.

THE MEETING AJOUNED AT 3:00PM

**EX-IM BANK ADVISORY COMMITTEE MEETING  
SEPTEMBER 25, 2012**

**CALL TO ORDER:**

NELSON CUNNINGHAM: Good morning. Nelson Cunningham, the chair of the EXIM Advisory Meeting. It's a pleasure to welcome you all to the fourth and final meeting of the 2011-2012 Advisory Committee. Mr. Chairman, from my perspective as Chairman of the Advisory Committee we had a very good year. I think we got to deal with some very good substantive issues in our comment on the annual report earlier this year. It was an important year for the Bank because of reauthorization and the substantive and policy issues raised in reauthorization. It was a privilege for the committee to be able to think about those issues and comment and provide you our best thinking and advice.

What we plan today is part of wrapping up the committee's work. We crafted subcommittees and asked each committee member to focus on one important area of the Bank's business. We've got some feedback and hope it's useful to you, to the directors and the staff, to help you in your mission to improve the Bank's functioning. I'll have more to say about the work of the committee as we adjourn, but let me open with those words and turn it over to you, sir.

FRED HOCHBERG: I'm going to introduce Stephanie in one moment, but I want to thank Nelson for doing a spectacular job of chairing this process on the committee this year. I've known Nelson a number of years and he did the transition plan as the head of that in 2008-2009, joined our Advisory Committee and this was an excellent process this year in terms of bringing together divergent points of view. Let's all give Nelson a round of applause.

**[Applause]**

Let me thank the Advisory Committee. This was a great process and provided a lot of strong and good and divergent input into the Bank, so I want to thank all of you for this year of service. It's been very helpful to us, and we'll be convening a new Advisory Committee in December.

I want to introduce Dan Reilly who just joined us three weeks, our new senior VP of communications, worked for Steny Hoyer.

I'm going to turn it over to Stephanie Thum who is VP of Customer Experience. You all know we've put a real emphasis on customer service, faster turnaround time, be more responsive to customers, develop products in line with customer needs, and we visited one of our competitors in Canada that has a VP of Customer Experience and it led to more thinking on our part, and this is not about customer service where you go when things don't go right. This is about customer experience to make sure we treat the people

we work with, the exporter and the clients who they sell to, as a customer of the Bank so we do a better job of how we meet their needs in responsiveness, timeliness and product. I'm delighted Stephanie has decided to join us and I'm going to turn it over to her and pick it up after that.

## **INTRODUCTION TO VP OF CUSTOMER EXPERIENCE ROLE:**

STEPHANIE THUM: Good morning. I'm Stephanie Thum, VP of Customer Experience. Both my role and I am new to the Bank, and I am thrilled to be a part of Chairman Hochberg's team. Just a little background about me: I come from the professional services sector, spent 8.5 years working with Ernst and Young which is a big global accounting firm. I worked in various customer-centric roles and various geographies and I was also with a Midwest-based law firm for about a year and a half where I was a change agent responsible for developing a client teams program and a client feedback program from scratch. My masters is from Duquesne University in Pittsburg and I have an undergraduate degree from Arkansas State, so I'm kind of from all over.

So what am I doing here at Ex-Im? I'm here to put in place the regular program that helps the Bank become more attuned to the issues that make or break the customer experience. Technology plays a key role in how we're setting the table for the future for our customers at Ex-Im, so I'm closely aligned with our total enterprise modernization team. I'm already at work on a variety of projects, like a one-on-one customer interview program and working on some surveys. These communication tools will help us keep the issues important to our customers top of mind as we make business decisions.

But more importantly what I want to continue to do and encourage others to do as well as it becomes integrated into the Ex-Im culture is to take what we hear from the customers and turn it into relevant appropriate action - focusing on what we can do and not what we can't do, thereby improving customer experiences.

This is such an excellent listening post for our organization, and I'm really looking forward to being a part of this meeting today and to having my ears open as to all the feedback that's going to be coming. So thank you very much.

## **CHAIRMAN'S UPDATE: LOOKING BACK, LOOKING FORWARD FRED P. HOCHBERG, Chairman and President, Export Import Bank**

FRED HOCHBERG: One thing that prompted this, we had an exporter customer call February of 2011 inquiring. We had a transaction we were deliberating over for 525 days, and they were in risk of losing the transaction. Alice Albright and I put into effect to quickly deal with it, let's look at anything that's over 100 days and make sure we go through line by line to see why it's still here. One of our VPs said, I don't want you looking at anything over 100 days. He said, I'm going to look at it in 75 days. I said, "That's exactly the point' you should look at it in 75 days and hopefully it won't get to 100 days."

Under Alice's leadership now 99 percent of transactions are out within 100 days or less, and we have about 35 on that list. Let's give Alice a round of applause.

**[Applause]**

Frequently if they're more than 100 days, it's a complex project and may have an environmental impact or have a number of issues or we've got a reputational risk and must go through the State Department. My point is, we know why or can track why it's taking more than 100 days to get done. For smaller transactions, small business, we're currently running 89 percent and 30 days or less, and one thing we're looking for Stephanie to do is refine that a lot more. Those were quickly put in place to look at the service, and we're going to work on refining those, getting better measurements of what our customers need and make sure we go beyond just approval to dispersing funds so people can get to work. I am very excited by this step forward we've made.

And today's the day we'll hear from some university in the NE, a suburb of Boston, giving us an award for one of our small business products.

I'm going to review where we've been, some direction where we're going, some trends we see. I encourage you to make this a conversation, stop me as we go along, and we can talk through some of the trends we see here. Later in the meeting we'll review our progress in Sub Saharan Africa, small business and renewable, three Congressional mandates, and some trends we see over time.

Looking back to 2009 one thing we worked on was a strategic plan to set a path for the next 5 years in terms of what to do to give exporters a competitive edge, make sure they can compete and win sales globally, and to build awareness so more people know who we are and don't think we're like a satellite radio station called Ex-Im; show them how to make it easier to do business with us.

Also, how do we support the National Export Initiative and the President's goal to double exports and put more Americans back to work? We worked proactively with Congress, changed our website so the information is organized by congressional district, and did a number of events with members of Congress in their district.

Our fiscal year ends September 30<sup>th</sup>, so right before the presidential elections of 2008 we ended with total authorizations of \$14.4 billion. Last year we were at \$32.7 billion, and as of August we were already at \$30 billion. We are going to exceed last year's number; I have a board meeting Thursday, and these are transactions that have gone to Congress and are coming up for final vote, so the probability is high we'll have another record-setting year for authorizations and jobs.

We've done very well. Small business is growing but it's been a challenge to move it as fast as I'd like. Sub-Saharan Africa we've had strong performance, and I was there with the vice chair about six weeks ago. Renewables, Craig O'Conner will talk about that and

we'll be off this year, a dip in the number of exports with renewable energy. Minority and women-owned business, one area Pat Loui is helping with me, is also going to show its strongest year ever.

These increases are driven by, one, we have more U.S. companies exporting, we've done more export promotion to small businesses, and a lot has to do with commercial banks' lending is not fully back on track. Banks, beyond 5 or 7 years, is difficult to get funding. Those are some factors driving our business.

The largest challenge is small business to hit the 20 percent.

Q: Do you believe we're getting full credit for the small businesses that support some of the large exports?

FRED HOCHBERG: NO.

Q: I think Pat joined a small business conference of our suppliers yesterday in Orlando, and it's compelling to listen to the stories. We think of the gas turbine or an airplane the multinationals build, but I think it's an impressive story when you hear of all the small subcontractors that are supplying things to us and it's my impression you're not getting credit for that.

FRED HOCHBERG: We don't. Under President Clinton I served at the SBA, and I think some measurements the SBA uses to measure transactions (being only direct contract, not subcontracts), regrettably flowed over to us. I don't think that's appropriate because of the nature, just as you described. But currently Congress does not "count" suppliers or indirect. We're going to report on them anyway because I think it's like going to college. Just because you don't get credit doesn't mean you didn't take the course or learn anything. So we need to talk about how we support small businesses, which are direct and what's the total.

NELSON CUNNINGHAM: Maybe you don't get credit in the official statistics but create some kind of notation that we can show at least as a footnote.

PAT LOUI: If we're going to survey some of our customers that we pose that question to small business. When I do outreach, I always ask, "Do you prefer to contract directly as an exporter in an overseas company?" The answer from small business, as it was for myself when I was in small business, is "no." When I'm getting started I prefer to go as a supplier to a larger business, Siemens or in my case General Motors. I think this might be something we could pose and perhaps use as a point of information when we go back to Congress and ask they consider indirect exports.

FRED HOCHBERG: That's a great point, Pat, because if it comes from the customers it's different than "we just would like to report differently." Your personal experience is a good example. Having just come back from China, that's a tough market for a small

business owner to negotiate. I see our guest speaker is here so David is going to give an overview of Ex-Im in the process.

One thing we did in 2009, was find a way to focus on a couple industries and countries, So we identified where we could be the most useful: fast-growing economies, economies with lot infrastructures, economies that need our banking and lending support. We identified nine. Roughly, in 2009 the first year, we did about \$5 billion in exports. We are now doing \$14 or \$15 billion worth in exports so they are growing at a faster rate than the business as a whole.

Some have proved to be slower going. Pat is adding some muscle on Indonesia and Vietnam, which turned out slower growth markets than we'd thought with the global financial crisis and some things going on in those countries affecting how they move forward on projects.

Brazil has turned out to be more difficult because it has its own business development bank that is larger than the World Bank, so they crowd out outside funding. The other issue with Brazil, they also have a lot of high content rules which they require Brazilian content, which is somewhat of an impediment for U.S. exporters.

The important thing, we identified nine and made great progress and learned more about those markets. One thing we'll need to do is look at how we read this going forward, whether to add some countries or give them more of an incubation period.

One thing we talked about with Stephanie is customer focus. An odd quote, "I never thought you guys could do this," -- this is a solar project in Rajasthan, and their first export ever, in the state of Washington, and I hear from customers all the time about people at the Bank who go the extra mile to make it happen, creating jobs in America and creating a foothold in those countries that actually pays dividends for future transactions.

NEI. We set some ambitious goals to meet NEI, to bring in 5,000 new customers to Ex-Im Bank and plan for \$9 billion in small business authorizations by 2015. We did celebrate our 1,000<sup>th</sup> customer. This has been a little more difficult to bring in new customers. It's still a challenge, an area we'll be working on, and Leslie and others in the insurance world have been good guides in thinking that through. We've added a number of products such as express insurance, and our goal is to approve insurance applications in 5 days with two exporters with a cap of \$300,000 each, and that's to help customers get in quickly so we could turn around those orders.

We are close to hitting our 2000<sup>th</sup> customer sometime in the fall, and if small business does export directly we can provide financial security, insure the receivables, provide credit to make the export sales, done a lot of that through our global access events we launched at the Chamber of Commerce. We opened up in Atlanta, Minneapolis and Seattle and a Detroit office will open soon.

Reauthorization. Thanks to many members of the Board and the business community we had our Just in Time Reauthorization. We were signed May 30, were to expire May 31, and we had a lending cap that was a major change of \$100—and May 31 we hit \$99.3, close enough. We now have a \$140 billion lending cap for the next two years and will be perfectly adequate for the work we see coming ahead.

There are some transactions that cancel, so roughly speaking if we do 30, probably 15 “stick.” We see a lot more project finance, so the average tenor of a transaction is a little longer than a few years ago. We were able working with Scott and David Sena, and with Alice’s work we got an extra \$6 million from Congress last year. One challenge to being on a continuing resolution, last year we got \$6 million but then we had to spend it in six months; but we put half toward small business and a lot is towards improving the technology here. Those who follow these things, we must have been one of the last clients on Lotus Notes in the 21<sup>st</sup> century. We made that dramatic migration about six weeks ago. The \$6 million as you all know, we earned the money that runs the Bank. Congress determines how much of the earnings we have can we spend, so the \$6 million is money we brought in, and they are allowing us to spend it. We do this work and more than doubled—with still about 400 employees at the Bank, roughly speaking. The productivity has been an enormous boost in the last few years in terms of moving things through quicker and to do them in a more lean way. We do not double our staff as we’ve doubled our authorizations.

A couple trends going forward. As you looked at those nine countries we’re seeing opportunities in China. I was just there two weeks ago, a group of us were in Australia also a strong market, and the Mideast in terms of power is mostly focused in UAE and Saudi Arabia who are looking to diversify their economies and are becoming stronger clients of U.S. products and Ex-Im support.

Liquidity in the financial markets is still a challenge. European banks have largely exited trade finance. We used to rely on the French banks. John McAdams and I and Bob Morin made an annual visit to the four major French banks that were aircraft and project finance financiers, and they have virtually all exited that work. We’ve traveled to Japan, to China, been meeting with different finance institutions in the U.S. John McAdams, Ravi\* and a number of others have been looking at how we make sure we have liquidity, because it’s still difficult even with a 100 percent guarantee to get 12-year money to support some of these longer-term exports.

We are in the process of implementing the charter, going through reviews of economic impact, as we have a Congressionally mandated review of content, and something in the range of about 20 reports to Congress are now required as a result of this reauthorization, one of which we report to Congress on a quarterly basis what our defaults and write-offs are. That began with the third quarter.

None of the reports are bad: just we have to understand we’re in a period of heightened oversight and that will be the nature here at the Bank going forward. We turned in our

write-offs at .3 percent, 30 basis points—being too conservative—but our goal, we have to take remedial action if our defaults go above 2 percent, and if I were in Congress I'd want to be mindful to watch that.

We see a lot more competition from OECD and non-OECD countries like China, Brazil, India. Brazil and India were very active in Africa, it's not just China; so that's something we'll have to be more mindful of in the years ahead. Those are things facing the Bank in Fiscal 2012, '13, '14 and beyond.

Some global opportunities and strong numbers. In the Mideast in September we approved a \$2 billion transaction, first Greenfield Nuclear project in the UAE, a \$30 billion project and the U.S. content was \$2 billion. Later this week the board will vote on a petrochemical plant in Saudi Arabia just under \$5 billion, and if approved that will be the largest single transaction in the Bank's history and the Mideast would be the largest single area of funding this year if that goes forward.

We're seeing a lot of strong work in Sub Saharan Africa. Wanda Felton is on travel today, but that's been growing strongly, and we see a lot of opportunities there as well.

Some of the noteworthy transactions: the \$2 billion in the upper right in the UAE. We signed a \$2 billion MOU in South Africa. South Africans spend \$128 billion on power equipment between now and 2030. We'd like much of it to be from the United States. We signed an MOU beginning at \$2 billion with an emphasis on clean energy though not exclusively. We did a project with them last year in Escom and we'd like to make sure that U.S. companies get at least their fair share. We did the first private satellite in Australia, just over \$80 million, and are assisting Air China in purchasing from Boeing Aircraft. Boeing and Airbus are in a face-off in China, the largest single aircraft market in the world over the next 20 years. We want to make sure we keep a level playing field with Airbus and our European competitors.

Second thing to look out for: liquidity crisis. This is still going to be a challenge for the Bank and for Export finance in general. I have a G7 meeting on Monday in Rome. Since the financial crisis, the heads of the G7 export credit agencies have been meeting. This will be a challenging issue for us in the years to come. One advantage we have, we can make direct loans. Most of our European and other G7 members cannot. China and Brazil can do a lot of direct loans. This gives us a slight advantage over the G7.

We will implement the charter. Some reporting we have and studies we'll do on a regular basis, and our charter now will expire in 2 years. We do not get an annual reauthorization, and that would have been difficult to manage, but Scott and I have talked about that once we see the result of the election and the new members of the House and Senate and who will be on our committee, we'll begin work on making sure we get to know them and make our case. We do not have a lot of time. Two years can go very quickly in terms of reauthorization.



Last is continued focus on exports. We need to keep selling more abroad. As President Obama said, we need to be producing more, somewhat consuming less, somewhat like a diet and exercise regimen. We've had months of all-time highs: June \$185 billion, and every month this year was over \$180 billion worth of exports. In 2009 most of the months were in the 120s, so we've made a strong change in our economy led by large and small businesses. We need to continue and maintain that.

We talked of this in the Competitive Report. We're seeing more and more unregulated finance. An example, I love the Canadians but when it comes to Ecopetrol they lent \$100 million, no strings attached, just "hope next time you think about buying some products and services, you'll think nicely about us." -- China Ex-Im Bank lent \$1 billion to Serbia to build roads. They are untied loans, not tied to specific exports, just "we'd like you to think kindly of us." I was in Mozambique and we're frequently trying to build hospitals, fresh water, schools. And in Mozambique the foreign ministry has a brand new building built by the Chinese. I imagine everybody who works in the Foreign Ministry thinks really well of the Chinese because they gave them a nice new building, air conditioned, fresh and new --

MALE: What sort of relationship do we have with our fellow competitor China? Because they are not only doing that elsewhere but there's likely to be a large deal announced in the next couple weeks in NY City where the Chinese Export Import Bank is loaning \$1 billion to a local real estate developer to build a high-rise commercial building, which to me has very little impact. But it will be a marquis project if it happens, on 57th Street and 7<sup>th</sup> Avenue. They're all around the U.S. doing that, much more we see in our industry.

FRED HOCHBERG: It's a huge challenge for us. This slide shows in 2001 the G7 was the major export support globally and at this point Brazil, India and China—do not even include Russia—they provide far more export credit than all the G7 combined, and frankly most of that is overwhelmingly China. And the difficulty is, because it's unregulated—and China is somewhat opaque—I don't even know if these are all the numbers anyway. It's our best estimate of what the numbers are; we don't have the exact numbers. I've asked the Chinese about that project; I was with the Chairman in New York, was trying to trying to find out what's China getting out of this? But they are very opportunistic. President Obama has taken a forceful stand against China on a number of fronts. We continue to meet with China. President Obama and VP Xi had an agreement in February to come up with a framework so we can have a more level playing field. Those meetings are ongoing, and whether I'd call them progressing I'm not sure.

So it's something that we at Ex-Im are going to have to look at very closely and be forceful about. The Treasury Department takes the lead in OECD and these kind of negotiations. We decided a couple years ago when I came to Pakistan that we'd meet the Chinese offer if need be. I have two disappointments: Pakistan still hasn't made a PO for those locomotives. Two, I thought there'd be more examples of that, and having a level playing field has to do with export support, and we do some of this as well. They'll provide tax holidays or free rent or low cost loans to manufacturers. Some of our states

will also provide free land or a tax abatement, so it's not that easy to point the finger at what's the wrong practice.

MALE: I understand the logic of them building the Embassy building in Mozambique, but why in NYC? What's their logic behind that?

MALE: The logic in that project, probably the fifth or sixth time they've done it in the U.S., the Chinese Export Bank is a 40 percent equity shareholder in the largest construction company in China. So the string that comes attached is that China State Construction will be the contractor on that job. I still, being in the construction business myself I'm not sure I see the return in that because it's a low fee, high risk business. But that's the one string attached, and it's happened in multiple states. They built part of the school system in North Carolina, which to me is very odd that we have a Chinese financing institution where the Chinese are building our schools.

THEA LEE: These issues go way beyond Ex-Im Bank. It's the whole relationship between China and developing countries, between what are permitted subsidies in the global system, what's economic development versus subsidy. The Chinese government is clearly making a lot of decisions that are long-term around building relationships, amassing market power, around security issues, and as you say it's very opaque.

For purposes of Ex-Im Bank it's important to focus in on the role of export financing and what the Chinese Ex-Im Bank does, and this is the issue we talked about before. But I think it's important the U.S. government makes sure China is at least playing by the rules laid out, and I don't think our government has done that to this point. I think China is in violation of the export financing rules because it's not an OECD member, and therefore is required to abide by WTO. I've heard from the Treasury Department that there's a bit of uncertainty around whether the U.S. is entirely compliance or not, but I think it's a shame our own government is not enforcing the rules on the books, and it's very detrimental to our long-term interests. I'd like to see Ex-Im Bank focus on that issue, the whole thing of whether China is in Africa or not, of course China will be in Africa and do all sorts of things problematic for us. But just on the narrow issue of what's a permitted export financing transaction and what is not, and the scale of what China is doing seems to me a shame our government has fallen asleep.

FRED HOCHBERG: We've actually filed more WTO cases against China than the previous –

THEA LEE: Not on the question of export finance.

FRED HOCHBERG: The problem is, because they are not a member of the OECD there are no rules; they're outside the rules.

THEA LEE: That's not true.

FRED HOCHBERG: They're outside the rules.

THEA LEE: That's not true. They're outside of OECD rules, but they either have a choice to comply with OECD rules even not being an OECD member, or comply with WTO rules which are equally stringent. And we have not held them to that.

FRED HOCHBERG: To the WTO rules around export finance.

THEA LEE: Yes. Which is where they are out of compliance?

FRED HOCHBERG: Right. Our approach has been, to date, two-pronged. One is to meet China vis a vis the example we cited about Pakistan as an example. We're not going to sit idly by, number one. Two, earlier this year we started these meetings. It's hard to tell how negotiations are going when you're in the middle of them, but they looked a little faster in the beginning, looks a little slower right now, but let's remember China is going through a once-in-a-decade change of leadership that starts next month and continues through March. So it's not surprising to me this would not be the most rapid period for those changes. But they both agree publicly that we will have an agreement on export trade framework by the end of 2014. You may think that's too long away, but I've been in this job for three-plus years, and these things take time. Of course, what's happened is, it started with the United States and China. We then said we ought to bring in more developed economies. So they said, if that's the case we want to bring in more developing economies. So we went from a bilateral meeting to a multilateral meeting, which is probably good but it makes for a more durable agreement going forward but it also doesn't mean we move as fast.

MALE: One comment. Both you and Thea are pushing the envelope trying to hold the international system honest on export credit finance. One thing we talked about in the past is the need for information, facts and data, and Ex-Im needs help from the State Department, the Commerce Department, foreign commercial service officers around the world, economic counselors. They need to report and document what's BRIC activity in export credit finance so Fred has the information he needs in a time of a reauthorization and of development of a WTO case. I want to reaffirm that, Fred, because you want to look at these issues but you need more information.

FRED HOCHBERG: That's a good point. One thing we're doing, we put a lot more money into the Competitive Report this year. I think we have a better product. We've retained someone to work on our survey. We have to go through an OMB process that requires about six months for approval so we can get better survey data, as you said Sean, so we can collect more real time data from exporters and understand precisely what they are seeing and competing against so we do have better data. That's part of the new survey we're going to do so the competitive report we put out June 30, 2013, will ratchet this up one more level. Hélène Walsh, who is VP in the policy area—each year for the last few years we've been continually trying to find ways to use this. I'd say for a number of years the Competitive Report was viewed as a compliance item for Congress versus a real tool to make changes in global finance and internally so we can say we need to understand where the trends are. Still, one of the difficult things is, it's very opaque.

One aspect of the OECD is, it's transparent. If we and Germany bid on a project, we know exactly what their fees are, what ours are, and therefore it's a more level playing field. With China and Brazil and India—it's not just China—Brazil and India are in there, perhaps not today at the same level, but are formidable.

Let me fast conclude. There are enormous opportunities for us for U.S. companies competing abroad, and a lot of challenges with China and other competitors. Small businesses remain a challenge to make sure we can reach small businesses and they can participate in this globally on direct and indirect sides, but the direct side is still a challenge to identify those customers and make sure they can tap into global markets. We are already working on a number of the changes put forward in the charter, and will continue over the next two years leading to the next charter reauthorization.

Last, competitiveness, is largely from non-OECD countries but Pat and I had a conversation last week, other countries are also very good about using development assistant as a way of also furthering their commercial interests. It's a much tighter link with some of our competing countries, be they Canada or Japan, on how they use development assistant to more tightly link towards procurement from their host countries and companies.

Why don't I defer if there are other questions and let David speak, since we are running into overtime?

**GUEST SPEAKER DAVID ROTHKOPF:**

FRED HOCHBERG: David Rothkopf - I asked to be our speaker today. David is a friend I made since I moved to Washington. David was at the Commerce Department under President Clinton and then with Jeff Garten who was the undersecretary, formed a firm that does strategic advice on global issues and strategic issues, national security issues and commercial interests. He just come out with a new book called *Power, Inc.* that talks about the relationship between government and corporates and tracing it back towards the Middle Ages, early Renaissance. Let me turn it over to David who will make a presentation and answer some questions.

NELSON CUNNINGHAM: If I could say a word about David, he's someone I've been lucky enough to know for a long time, and is one of the smartest and most entertaining people you'll ever hear. David, it's a real pleasure to have you here.

DAVID ROTHKOPF: I'd like to begin by saying it's a special pleasure to be here with Fred and Nelson and the rest of you, not just because they're friends but because what's going on at Ex-Im Bank is one of the remarkable success stories of the past few years here in Washington. I think it's been a light under a bushel. If I have a comment to make that pertains to this inside-the-beltway thing, I think it's in the interest of the Bank and the administration and the U.S. business community if more people knew more about how much is being done here and how transformational it has been.

The day President Obama announced the plan was to double exports during his inaugural address, a *New York Times* reporter, Helene Cooper, called me 5 seconds after the words left his mouth, and said “Where the heck did that come from?” My response was, “I don’t know; I’ve never heard anything like this, I think this is ludicrous.”

The first two years of the National Export Initiative have been extremely successful. This one’s been a little tougher for macro economic reasons. But you still have an incredibly ambitious plan that is directly beneficial to Americans in every state and is creating jobs and is not well-known. And I think it may sound like preaching to the converted, but if you guys know it here and they don’t know it out there, that’s source of problems.

However, the recognition of the benefits offered by the Bank, also reflected by the fact it’s one of the few things this Congress has managed to agree upon in the course of the past year in terms of reauthorization, and that’s a sign that even in times when for political reasons and other reasons it’s very hard to get people to shake hands and move forward, there’s a recognition that what’s going on within this Bank is essential to the interests of the United States.

I want to talk about the moment we are in. It seems to me it is a transformational moment in terms of the issues associated with this Bank. I got a call yesterday from a reporter saying, “Well, President Obama is saying this about China and Candidate Romney is saying that about China; is this really going to bode different policy in terms of our trade relations with China going forward?” My first reaction, having been here in Washington now 20 years was to say, “No, because every 4 years candidates beat up on China and then they get into office and they say, You know, we really need that, we’re too interdependent.”

I remember vividly a moment during the Clinton administration when following a trade mission that Ron Brown and I had made to China there was a discussion in the Oval Office. I was not in the discussion but I heard about it moments later, in which President Clinton said, “I wish I were running against our China policy.” In other words, he’d been tough on China coming in, and had felt compelled for all the reasons presidents to back off going out.

Having said that, I don’t think this time is like those times. I think it’s going to be much tougher for U.S./China relations in the next few years, and indeed I think over the course of the next several years the global trade regime is going to face new stresses and challenges in ways it has not faced in the recent past. Part is due to the macro-economic environment, slow growth makes for protectionism, not understanding how you create jobs makes for a greater focus on competitiveness. I spoke just the other day with a very senior person at the IMF who said he believed your growth in the EU would be recession levels for the next 5 years. In Southern Europe it could be longer than that.

Clearly the BRICs are facing real headwinds now. It’s not just China—it’s China, India, Brazil, Turkey which led the world in growth last year, Russia clearly has problems.

These problems are not simple and not just cyclical. In each one of those countries there are political issues associated with them or neighborhood issues associated with them. Any minute now Brazil's neighbor Argentina is going to go flying off the cliff. They are in kind of what I'd call a Wiley Coyote Moment, off the cliff, running furiously, haven't looked down yet to realize they are off the cliff, but that's \$40 billion in trade between Brazil and Argentina, and I think that affects them.

So the drivers of economic growth are all going to be gummed up for the next couple of years in most parts of the world.

There is good and bad news in this. Part of the good news is that we are going to win the ugly bride contest here in the U.S. In other words, among all the places in the world to look, we are going to look better by comparison with our fairly anemic growth.

In fact I'd go further—I'm also the CEO of the FP Group which is the division of the Washington Post that publishes Foreign Policy Magazine and does a variety of other activities in that area—and I'd say the biggest geopolitical transformation of the past 5 years is the energy transformation taking place in North America now. The discovery of shale gas and shale oil, the improvement in technologies, the movement towards offshore, the acceptance in a country where we can't agree on many policies of both parties of an all-of-the-above energy policy, the growth of energy as a business to boom levels in Canada—all these suggest what's going on in terms of North American growth will give us a certain kind of competitive edge. That will leave more capital here. It may lead to more problems or issues like the one you're referring to with regard to the Chinese competing in our own market.

It also gives us a tremendous advantage. I think we'll be the world leaders in this technology even though China has more shale gas than we do. I think there's right now a big push among Chinese companies to want to invest in the U.S. to capture our technology so they can use it there. There's a lot of talk that China won't develop its shale gas. I think that is wrong. Most of the big energy companies we deal with believe the Chinese will solve the problem of water availability and get into that shale and will actually be more energy self-sufficient than a lot of people are projecting that they will be.

This trade in new energy technologies, in the new energy paradigm, related issues like the change in global supply chain and energy and whether or not we as a country make decision to keep the gas here to export it, which involves building global LNG infrastructure—this will be a big game-changer in the way things work, in the way we look at things.

Another big game-changer and one we face as well as the Chinese is the “advent of the third industrial revolution,” and this is a difficult challenge. In terms of the third industrial revolution, the first took us from being an agricultural society to an industrial society, and whenever we're on the verge of giving up hope about what's going on in the United States, it's worth remembering that 100 years ago most people in America made

their living on the land. And 100 years later the vast majority of people did not, only 4 or 2.7 percent made their living on the land. We reengineered the entire economy in less than 100 years.

In the last 30 years the second industrial revolution tied to IT moved a lot of people out of hard manufacturing and into service and white collar kinds of jobs.

This third one where you combine IT technologies and manufacturing technologies to produce artificially intelligent manufacturing technologies and so forth, moves a lot of people who have white collar jobs out of work as well. It changes a lot of the formulas we've come to depend on. The past 10 years in U.S. history are the first 10 years in which we had GDP growth and even productivity growth, but the two did not correspond as they have throughout American history with growth in average income, reduction in income inequality and creation of jobs. Something has broken in the system. And the fact that something has broken, to me it's surprising there's not more debate about it, that this isn't what the election is about. How do we create jobs in this new environment?

We don't face this challenge alone. The country that last year bought the most robotic manufacturing devices in the world was China. The Chinese are creating jobs far more slowly than they anticipated, which is a potential political problem for them. This combined with the slowdown in macroeconomics suggests we're about to enter a period in which there is considerably more competitive tension around trade. And there's not a heck of a lot of new thinking on trade. Trade deal is out there. You've got people talking about strengthening the WTO; it makes perfect sense but it's not new. You've got a brand new environment, but you don't have a new strategy.

I think there have been some stirrings however, and one of the most interesting bits was a speech given by Gene Sperling\* a couple months ago in which he started to say things that during the Clinton Administration he would have been struck dead by a bolt of lightning for saying. He started talking about the need for industrial policy in the U.S. That has been against the ideology of the U.S. and a lot of people in the business community for a long time. It has however been central to the ideology of every single other country on the planet. The U.S. is an outlier.

We did a big study in my company for the Business Roundtable on this, on energy and climate issues, and we found every other country had a clear strategy and was using every tool it had to advance its companies' interests. And we were the outlier, not doing that. I think it would be a great world in which there were no need for Ex-Im Bank, for competitiveness policies, for nuclear weapons; and we didn't need armies and you could shut down the VA because you didn't have to have soldiers serving. We are not in that world. So I think we'll find the next 4 or 5 years the focus will be on competitiveness policy in the U.S. and elsewhere, and it's going to need to be. And we'll have to figure out what we do to ensure that jobs come here, that this period of transition is not a period of too much pain for the U.S. because while the competition of the global economy is zero sum, every deal is not zero sum. Deal goes here or there, and we as a country have got to figure out a way to use all the tools in the basket to get there.

One twist and turn likely to come out of this, in the next two months there will be a brief flurry of discussion in the White House about whether to embrace the idea of restructuring the Commerce Department and all trade-related agencies. It's there, under the surface, has been put off until the election. The likely time to make a change like that is immediately after the election, and I know it's a controversial subject. Personally I think the President should go ahead with what he announced he was going to do, bring the agencies together. I think it would make sense to have the brain connected to the arms and legs. I think if you want a successful competitiveness policy you've got to say, "Here's our strategy, here's how we enforce it with our agencies, how we negotiate it, how we finance it, how we promote our exports, and here's how we do it together." I suspect there are very divergent views here and elsewhere in this building, but if you had an agency like that and put somebody smart like Fred Hochberg in charge you'd end up strengthening U.S. competitiveness in really substantial ways and dealing with this very tough environment we'll have over the next 5 years, in ways far less reactive and far more effective than we've dealt with them before.

I wasn't asked to say this, and I don't want Fred to have to apologize, and there was no discussion about this, but I do think regardless of if you think that's a good proposal, in advising Ex-Im Bank you have to acknowledge we are going to face extraordinarily challenging times over the course of the next 5 years in terms of global trade environment, of tensions created within that, the nature of competition within that and given we will be operating with less resources in the U.S. we'll have to figure out a way to use those resources better to maintain our edge. This involves a lot of things within the federal government, and I personally believe a lot of it involves enhanced public/private partnership and enhanced federal/state/local partnership because the states and localities are much better at competition than the federal government is. We can do a lot more, and I know this is something that's been on Fred's mind—do a lot more in that area and we ought to look at it because it's a leverager.

Those are some comments. I was asked to be a little bit provocative, and I hope I have been a little bit.

OWEN HERNSTADT: I am heartened to hear you be brave enough to mention industrial policy in public. It's not a new strategy, obviously, something trade unions and many others have been pleading with administrations to adopt for many years now, and now we're bottoming out. But some of us are concerned that we haven't yet because of that.

You mentioned technology. The U.S. developed the most sophisticated technologies in everything. I represent aerospace workers, the highest skilled workers in the world. And because of the aerospace industry we have other industries like microwave and a lot of the software industry. Unfortunately like wind technology and other renewable energy sources, the technology may have been invented here but it's being produced abroad. Apple computer is one of the classic examples, but there are many others. Jobs haven't been retained, and part is a lack of comprehensive industrial policy here.



That's why we are constantly arguing for low hanging fruit items like making sure the modicum of government programs that we do have here actually work more effectively to give incentives to U.S. based companies or even foreign companies to produce here at home. That's why Ex-Im Bank is so important in that because it's the one agency that actually ties financing to producing jobs here at home.

That said, that's why we've argued things like Ex-Im Bank need to tighten up, whether domestic content and accountability of companies, to keep jobs here at home. But there are other things too: currency, particularly when we're talking about China is another huge effort. Illegal trade subsidies, illegal trade efforts; we commend the Obama Administration for what they are doing with China, but obviously as Thea pointed out much more needs to be done on that, as well as a host of other items.

We have seen at least in manufacturing a lot of jobs move to Mexico and elsewhere, where wage rates are low, labor standards are not enforced, hurting our own competitiveness. And when we argue for labor standards with respect to Mexico or China these aren't protectionist issues; these are issues that go far beyond that, issues that attempt to raise the standards of living for workers all over, which lead to the economic prosperity I think we all want.

So when we talk about industrial policy, I think you'll find a receptive crowd in saying it's been long overdue. We're heartened that Gene mentioned it, but obviously we need to get going. Other countries like China, Mexico, Brazil and Europe, Germany, have shown how industrial policy has really lifted their economies, and it's only high time that we fully embrace it here all across the board.

DAVID ROTHKOPF: I think Gene's speech was a good first step; it was also a bit of a whisper, and it was the wonkiest speech ever delivered in public, so it was very hard for most people to synthesize what he was saying. But I think apropos of your point, one reason I believe one needs a more integrated, coordinated effort within the U.S. government on these things is because all the levers impact each other. One argument some people make against it is, "You don't want your negotiator having to think about your trade finance." My argument is, Yes, you do. You want to have all the tools in the toolbox together so you can balance them out. We wouldn't use the same logic in diplomacy as we do in trade policy, and a perfect example has to do with IP. Increasingly IP, there are few fault line issues in trade going forward: subsidies is one, IP policy is another, and my sense is there are a lot of businesses that have growing IP concerns that don't even know it. Every time GE made a turbine in the past, you'd ship it overseas. It was a piece of equipment and you might want to protect the patents associated, but now every piece of equipment that goes overseas has sensors inside that collect data, and there will be a question about who owns the data, a question about privacy issues and international privacy regimes; there will be questions associated with cyber-issues. At some point in the next year or two there will be a big cyber intrusion at some power facility or telecom facility, some place in the U.S., and we all of a sudden

will have a big discussion about whose stuff we can let in and whose we can't. It will become a source of protectionist barriers around the world.

We don't have a next generation IP strategy out there even though that's an issue. Another issue is agriculture which we're still working with 19<sup>th</sup> century policies and assumptions. We need to develop next generation strategies and coordinate them in a way that will enhance competitive advantage. That's why, call it industrial policy, call it common sense, we are at a time where we need new thinking and a new synthesis of that thinking.

JOANNE WITTY: I think you're probably finding a very receptive audience here on these issues, and I'd include in your industrial policy an energy policy which I think has all the implications you've just spoken of. Let's assume we all agree: it's been impossible to get people to move there, so what ideas do you have about convincing people about the necessity of this?

I think the reason you don't see this conversation going on during this election is because most people can't handle it, don't understand enough about how the world works and how all these pieces fit together. That's why it's so easy to talk to them about going back to nostalgic middle class, whatever that was in the '50s where we all had these jobs. That past is not coming back. You're talking about how we then deal with the future and convince the public we have to shift to be looking at the future, as opposed to being sad about whatever is gone in the past but will never be there again because of globalization and geopolitics. And we're all living on the same planet, and things are changing radically all the time. If we don't adjust it's like Darwin, we'll die. That's what scares the Hell out of these people. So how politically do you suggest we might deal with it?

DAVID ROTHKOPF: Well, this is a classic Washington pandering answer, but I think the way you describe it is exactly the way to describe it. The thing that rings hollow to me, the past, most of the debate, and I don't think this is any individual's fault around the current election is, Where is the vision, where are we going? But describe it in terms of a vision, talk about how you'll create jobs, about where it must come, how you have to attract foreign investment, about the jobs you want to create, stop talking about the past, stop thinking the solution is recreating Eisenhower's America and start moving to the next generation.

I think that motivates, and when you do that you say, "We are operating in a global environment, everybody's out competing hard, and there's no reason why we shouldn't win; we have cheaper energy." The difference between the U.S. and China in labor costs by the end of this decade will be 7 cents an hour. Labor is no longer the issue in those things. If you have high value-added economy, what is the critical issue? It's IP. We protect IP; they don't protect IP. That's a competitive advantage. We can play off that competitive advantage.

If you say we have cheaper energy, and you're right about energy policy, and Tom Donilon and others in the White House are seeing that as a second term agenda item—if

you say we've got cheaper energy, got labor at the same price, ours is better skilled, we are protecting IP, we could be rebuilding America's infrastructure on an interest free basis because money is so cheap in this country. We have the ability to recreate the kind of growth we've had in the past, but it's not going to be the kind of country that we had in the past. It's going to be new. I think if you frame it in those, you can do it. But we can't be politically correct about issues like industrial policy. We have to say, When I was in the Commerce Department Thea Lee was there and she was a pain, and she'd come over on a regular basis and say, "Hey, what about this?" Because we were all free trade true believers, we said, Very nice, we have to listen to you, and then we'd close the door and have our own conversation, and say "if only she got it." She got it. We didn't get it. She was right; we were wrong, but we've got to come together with these things and move forward with a new plan.

I think that's possible, doable, and the success Ex-Im Bank has is proof it's possible. But it can't be a back burner issue because when you are 4 percent of the world's population our economic success involves international economic success, and that's been a back burner issue since the beginning of this administration, largely because of reasons they didn't control, because of the crisis we inherited, but the second term of an administration would be an excellent time to make that a front burner issue.

MALE: On the energy policy issue, we've got all this new natural gas which has driven prices down, so we're talking about maybe being a net exporter of natural gas in the next 10 years. On the other hand domestic manufacturers like the low energy cost, and the export would cause those prices to go up. How do you think that natural tension plays out?

DAVID ROTHKOPF: First, the energy policy issue is critical. We have to determine where we're going to use this energy at home and we want to artificially take advantage of having lower prices, or whether we'll export it to the world. The gas markets in the world have been much more regionalized than, say, oil markets. And there's a big discussion that needs to happen in public around that issue. The reality is you won't also have cheap gas. We don't have the gas boom with gas at these prices, because \$3 gas you can't get it out of the ground; \$4 gas you can get it out of the ground. I think these things will take care of themselves. Ultimately I think the price will come up a little bit. It's still not the \$17 gas they've got in China. So for the point of view if you are Nucor Steel or you're somebody buying a lot of gas, doing it here is going to make a lot more sense. And that's true for a lot of manufacturers.

To the extent we have an integrated North American energy grid, we will become much more energy-independent over that period of time. The national security rationale behind this is as strong as the economic rationale which is as strong as the environmental rationale. It's very seldom you get the stars aligning in that way on any particular issue, but we just spent \$2 to \$3 trillion on the Middle East trying essentially to protect energy sources. At the end of spending that money, the region is at least as volatile as it was when we went in. So we know that's a bad investment, and this is here.

And Canada is doing some great stuff, and that's also very encouraging. Brazil is doing some great stuff. Western Hemisphere energy is a really good path forward for the U.S., and I think that's something we need to look at.

NELSON CUNNINGHAM: David, we're just about running out of time, but I'd like to throw something else on the table. I guess I'm someone who thinks the more people think about solutions the better the solutions we're likely to get. One of the strengths of our economy has been you have solutions that bubble up in unexpected places from all sorts of crazy places. Seattle today is a vibrant high tech hub because a young guy named Bill Gates grew up there and went back and worked in his father's garage to help create a whole industry. It just happened, and it's been a wonderful change. When you talk about

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DAVID ROTHKOPF: (unclear) has a different theory of that.

NELSON CUNNINGHAM: You spent a lot of time recently talking about productivity and workplace and labor issues. We've seen substantial growing inequality in the country. Are there things workers can do in the workplace bubbling up from the bottom to increase their share of the nation's wealth rather than top-down solutions people in Washington might think of?

DAVID ROTHKOPF: Look. I think if you embrace the idea that competitiveness is a national undertaking, that a new era of American growth is a national partnership, it has to happen at every table. Most of the competitiveness challenges the U.S. meets successfully happen around the kitchen table when people study hard in school, go to the right kind of college. We are going to find a way to help ensure you pursue those values.

I also think however we have to recognize some of the old paths don't work, and we have an education policy based on a system developed at the University of Bologna in the 8<sup>th</sup> century, where a guy stands in front of a room and talks to rows of people. We have the ability to use technology to deliver the best minds in the world to anyone who's got a hand-held device anytime on demand for essentially free. Do we use that in our education system? No, we don't. Should we? Yes, we should, so that it has to happen up at the next tier. Mayors and governors understand competitiveness better than anybody because they are counting the jobs one at a time and are out doing the trade missions that count. It has to happen at that level.

So there's a buzzword in Washington at the moment very popular on the National Security side, and that's "hole of government. We have to have a "hole of government" solution to this kind of thing. We need a whole of government, of society, competitiveness approach that goes out and says "we are going to use every tool at our advantage in a collaborative way and recognize the fewest answers and good ideas will happen inside the Beltway. The first goal ought to be to get the Beltway to stop being an impediment and to identify where we can advance things in the areas where we can.

To me it's the central discussion and a little frustrating that it's not happening as broadly as it should. But one hopes in six or seven weeks perhaps there will be a chance to engage it.

FRED HOCHBERG: David, this has been very helpful. Most of our meetings have brought in an outside speaker but probably never as provocative. So thank you for stirring us up on the last meeting of the year and for joining us.

**[Applause]**

FRED HOCHBERG: Let me make two notices. Piper Moffit put together the Competitiveness Study and has worked with us in leading up the effort on taking it to the next level next year, so I want to acknowledge Piper. And John Breslin who was a board member until this summer, did such a great job on the board he applied to run the Seattle office, and John has stepped down from the Board because he's now our district director in the Seattle office.

NELSON CUNNINGHAM: We turn to spotlight on Ex-Im Mandates, and then to the reports of the subcommittees of the work Advisory Committee members have done over the past several months. So I'll turn it back to you for the Ex-Im mandates.

FRED HOCHBERG: We have three reports, and first is Craig O'Connor.

## **SPOTLIGHT ON EX-IM MANDATES:**

### **Trends in Renewable Energy:**

CRAIG OCONNOR: Our renewable energy portfolio has grown from \$30 million in '08 to \$721million last year, and that was not by accident. It was a lot of hard work developing relationships with a lot of companies in this space. It's also a real tribute to the people in Project Finance who were able to deliver a financing package, a great tribute to our legal team. Our ability to deliver and publicizing the success has driven more success. I'm able to say we are the first financial institution to finance a project in India under the National Solar Mission. That's significant because India is probably going to be the number one market for solar the next couple years, are already number three.

We are also looking at other areas. Our advantage is the ability to deliver the long-term financing critical for renewable energy, the fact that many companies—it's a mixed bag for solar and we can spend a lot of time talking about the industry, and Fred and I had a real nice conversation with the new CEO for solar. It's a tough industry, but there are pockets of positive activity going on. I won't take you through all the highlights but \$208 million in solar last year, we could and should double that next year.

A real interesting project in bio-gas capturing methane. The technology is there, ripe for replication.

Small wind turbines: in the Caribbean there's no incentives for renewable energy when diesel costs 45 cents a kilowatt hour; rooftop solar is a great benefit and we hope to replicate that project as well.

Working capital where maybe Ex-Im Bank didn't finance the end user customer but working capital is important for these firms to build up and meet their export order. Mia Sole, Suneva, Turbine Air Systems, Southwest Windpower – our support for them on the working capital side supported exports of \$263 million, so that continues to grow.

Our business this year may take a dip because of the nature of the industry and because we had some big wind projects that didn't close this year, but they spotted us a nice lead for the first quarter of next year.

Next year we'll continue to focus on India to have a real presence there, one of the top one or two lenders for solar in India and expect that to keep going strong.

To leverage our success in the Americas, we've got applications for wind projects in Uruguay, Costa Rica and Canada, and also indications Mexico and Honduras will come along as well. We're also looking in the Americas to utility scale solar and wind energy in Chili and rooftop solar in Latin America in a number of the markets.

Longer term we're looking at the Middle East. Saudi Arabia said by 2030 it wants half its energy sources from renewable energy, and it makes economic sense for them to use their solar energy because they supply the oil at a low cost to Saudi Electric, so that's a nice long-term driver.

This chart shows Germany, really the world's leader in solar and more installed in Germany than any other country, you see they dropped their purchases from the U.S. and everyone from \$600 million in 2010 to \$200 million in 2011. Italy also has done their bit for mankind in terms of promoting solar, so they are also dropping off. One bright spot where Ex-Im Bank can make a huge difference is India, so \$15 in U.S. exports in 2010 was up to \$125 million in 2011. I'd say that's due to Ex-Im Bank largely.

On the wind side, it's a challenge, the whole renewable energy industry. When you talk about industrial policies we may not call it that but the fact that solar technology grew out of investments the National Renewable Energy Laboratories made over the years, and the space program, wind energy where there's public/private partnerships and cost sharing, the emergence of these technologies—

The fact we had a production tax credit in the U.S., had real growth in wind. Production tax credit has not been renewed so we've got an issue going for 2013. So export markets are looking to use U.S. production base as a platform for exports supplying the global market. It's a small number now shown from the International Trade Commission, so 2011 we had \$150 million worth of wind exports and that will ramp up in the future. We are exporting to: Canada is number one, and certain provinces in Canada you have to

look at a provincial level. Quebec is a great market but they have local content restrictions, as are in any country you can imagine. We have to thread the needle in a lot of these markets.

Brazil also has local content but we've been able to finance the export of blades, and we see other markets in the Americas coming up where we won't necessarily face export contents as much.

MALE: I'd like to add one thought. In domestic renewable industry is in catastrophic condition now because of the nonextension PTC. It's a classic case of government in action that's going to destroy 70,000 or 60,000 jobs. It's a production tax credit for renewable energy that – okay, renewables today still, particularly with the low price of natural gas, have a hard time competing on an economic basis, so as Craig said, we've looked at the strategy. To put into context, our factories in the U.S. we opened for wind are completely full to the end of September because we can ship things and customers can claim a production tax credit if we get the units online by December 31. By end of September it's too late to meet that deadline, and we had to announce reduction in force almost 40 percent to the people in our renewable energy division because the market's going from 12,000 megawatts a year to 1,000 megawatts. So we're very focused, been into the Bank to talk about Uruguay, Chile, Canada and we are shifting our focus. But as Craig said, this is an area where the Bank needs to seriously look at being more flexible on the rules related to domestic content, financing local content overseas because what we see in Brazil for example is we're literally precluded from bidding on projects because the rules around what we can and can't cover are too strict. If we had more flexibility, not a doubt in mind we can increase the amount of projects we're doing from the U.S. and have a net positive return on that investment. It's an area I raised at the last meeting. I don't know the right number but the Bank having the highest standard in the world of domestic content required is not beneficial for job creation of U.S. exports.

THEA LEE: Sounds like what's needed is extension of the Production Tax Credit, not necessarily weakening of the domestic content requirements.

MALE: Both. It makes more jobs if we have a –

THEA LEE: I don't know as it does create more jobs. It goes back to what David Rothkopf was saying about the competitiveness policy. The way he put it, what we did to ensure more jobs come here, not what to do to ensure our companies have a bigger market share and make more money. There's a big difference when we think of competitiveness in terms of job creation, and domestic content is pretty important for that. I don't understand the rationale for why the Ex-Im Bank needs to support the production when there aren't any jobs here. Weakening domestic content means you are not putting the jobs in the United States. So why is that a public policy imperative?

MALE: I'd like to see the PPC extended because it's inexcusable that the U.S. should have one of the strongest renewable industries for domestic consumption in the world and in fact now we have one of the weakest. Secondly, because of the prowess we have in

building things here and the competitiveness of our factories, we are trying to develop the export market on top of a strong domestic market. I'm saying by having increased flexibility we absolutely can demonstrate, can be competitive from here, the jobs will come here, and I don't need to open local factories in Canada and Brazil to meet the local requirements. If I had some more flexibility, we can demonstrate we can increase the number of U.S. jobs and exports from our U.S. factories, absolutely bring jobs here that otherwise are going to wind up in Mexico, Uruguay and Brazil because each of those countries are now figuring out "if I demand higher local content can't get the stuff financed," and it forces multinationals then to move those jobs away. So I think it's both. We want the PTC absolutely extended, and I can't believe between the two sides, it was almost like Ex-Im Bank debate, how could we think of allowing the Ex-Im Bank mandate to be cancelled, but far as renewable energy industry goes I see the same kind of opportunity for us. Right now I think the strict rules, not saying it should be just opened up to anybody's interpretation, should be maybe certifications of why you need the additional flexibility—but I'm convinced it will enhance U.S. competitiveness and jobs, particularly in some of these critical sectors.

NELSON CUNNINGHAM: Any other questions? Craig, thanks very much. Thought provoking, appreciate it.

## **SUB-SAHARAN AFRICA MARKET OPPORTUNITIES**

### **Ben Todd**

FRED HOCHBERG: Ben and the Vice Chair and I were in Nigeria over a year ago, so he is well-schooled on Sub-Saharan Africa

BEN TODD: Thank you. I'm going to discuss the congressional mandate to increase U.S. exports to Sub-Saharan Africa, a mandate started in 1997, consistent with U.S. Ex-Im Bank's mission to support U.S. exports while still having reasonable assurance of repayment. Some may see this slide as what ails Africa but I see it as a good opportunity, the earth at night, and that large dark area in Africa represents \$93 billion in per annum potential infrastructure spending as identified by the World Bank.

Ex-Im Bank has been at the forefront of doing business in Africa. We are open for business in 43 of 49 countries in Sub-Saharan Africa. To give you a reference point, in 2000 we were only open in 26 of 48 countries in Sub-Saharan Africa, so Ex-Im Bank has continued to push the envelope on being open in Sub-Saharan Africa to do business.

However, our largest constraint to growth is the number of U.S. exports that go to Sub-Saharan Africa. It has rebounded from the financial crisis, is at an all-time high. FY2011 it was \$21 billion. But that represents less than 2 percent of total global U.S. exports. These are merchandise exports and I don't have the statics for services, but you'd see a similar statistical breakdown.



As to intensity of support, Ex-Im Bank supports 7 percent of exports that go to Sub-Saharan Africa.

Some interesting trends we've seen recently the White House revealed in June their Presidential Policy Directive on Africa which will look at targeting U.S. businesses in a Doing Business in Africa Campaign that we look to participate in, as well we've seen recent trends of infrastructure companies now looking at Africa having seen opportunities in Iraq and Afghanistan winding down.

Africa has seen tremendous growth identified by IMF will be top performers in the next five years, have favorable demographics of 1 to 1.5 billion by 2050 and a large and growing middle class will present a number of opportunities. Ex-Im Bank's overall strategic plan has two of the nine key markets are in Sub-Saharan Africa, South Africa and Nigeria. We are looking at five other key markets. There's low external debt in a lot of these countries because of HPC debt relief, and the governments do have fiscal room and have been tapping the international Eurobond markets extensively and the ECA markets. Africa has been in the past where the developmental financial institutions play, but we see them going after the export credit markets as well.

Our activity since 2007, we had another record year at \$1.5 billion year to date. We've seen a large increase in number of transactions from around 130 a year to now a base of 170, and our portfolio dollar value, a few large transactions but the majority are small, 80 percent FY2011 directly supported small business.

Going forward we see the opportunities, in the extractive industries, off coast of Mozambique 100 trillion cubic feet of natural gas found by Anadarko and others and we're looking at those possibilities and the geology is all the same past Somalia. There is oil and gas off coast of West Africa, large opportunities in the power and infrastructure sectors, and we have a robust pipeline going forward. Thank you.

NELSON CUNNINGHAM: Thanks very much for that. In my business we advise companies that do business all around the world and five years ago the only companies we worked with interested in Africa were the mining and oil and gas companies. Today I see a much broader array of companies and industries interested in Africa, whether Wal-Mart buying the mass mart assets and opening stores all over southern Africa whether MetLife looking at selling life insurance in those markets—we've seen the same growth you've seen.

A couple weeks ago I introduced South African Ambassador Rasool at a lunch. He's a dynamic representative for South Africa here, and was asked the question about China's big footprint in Africa. Rasool said, "I've tried to answer this in economic and political terms but the real reason we're turning to China, If you can't be with the one you love, love the one you're with." He said, "If America came, was here, American companies, we'd much rather deal with you than with the Chinese." I think it's terrific, Fred, that the Bank continues to have its focus on Sub-Saharan Africa and you've really forged such dramatic growth in terms of its share of your lending.

RANDY ZWIRN: That's not just a statement you made. The Ex-Im Bank Conference had a very large delegation here from Nigeria. We are a large company, got our fingers all over the world, but we made some contacts at that meeting, signed some MOUs, and the statement of the minister was exactly what you said, which is "we prefer American technology, so we're getting great offers of low costs from China but our preference is American technology." I think they've signed MOUs for all their power equipment with Siemens and GE. So absolutely the statement you made is true and I want to congratulate Fred. That was a great conference, and we got a real benefit out of showing up.

NELSON CUNNINGHAM: Any other questions? Thanks, Ben.

FRED HOCHBERG: Charles is going to do a quick report on small business.

### **SMALL BUSINESS REPORT**

CHARLES TANSEY: Bottom line in the chart, total Ex-Im authorizations in 2010 we're at 20.9 percent, and 2011 we're 18.45 percent, and now we're at 16.4 – that's under the 20 percent congressional mandate and where we'll probably end this year.

Core products and new products—at the top core products are what we've had traditional at Ex-Im Bank and generally speaking large, transactionally based, underwriting is manual and the relationship is one-to-one. You see a very high level of renewal activity, not a lot of new small business customers in the core product area. The working capital runs around 90 percent, 85 percent renewal and trade credit insurance around 90 percent renewal.

In the New products, express insurance global credit express and supply chain, its' very different. These are small transactions, not focused on the transaction so much as on the credit of the company. The only way you can do business in this sector is on an automated underwriting basis and in batching activity. You see and target a lot of new small businesses. The one hybrid is the supply chain finance which is a large transaction but involves a lot of small disbursements and it's a highly efficient way to build the businesses. If you look at the total core products they go up \$300 or \$400 million a year and you can expect that indefinitely. There will be some years it will go up a bit more, but organic growth in core products is \$200 or \$300 or \$400 million a year. In the small business, new business, new products is where your growth will be. You start out at \$45 million in 2010 we hit \$600 million last year, and we'll be in the \$400 to \$600 million this year, that range.

You don't see in this slide the number of new small businesses we're targeting, and that's the hardest thing. We must get not just higher authorizations, a challenge, but also a number of new small businesses, 5,000 cumulatively from 2010 to 2014. We're about 2000 into that, have another 3000 to go over the next two years. It's going to be requiring a significant change in the way we approach the market.

The key issue is to tailor the product to the needs of the customer and the financing partner. We have been able to do this in three areas. One is core product business credit; we define the SME niche, cut away all the smaller stuff, and that business credit will be up 15 to 20 percent this year even outside the supply chain activity; that's a large working capital loans guarantees.

Express insurance is up for an innovation award this year, and we've gotten upwards of 300 new small businesses from that in the last year.

Global credit express - It's picking up speed and the Express Insurance and the Global Credit Express are the ways we expect to address the issue of new small business customers and building that.

Second thing is to focus on retail distribution, not so much directly to the small business exporter but to the service providers to the banks and brokers who serve the small businesses. We can't really compete with the banks and the effectiveness with which they dig into the industrial parks around the country. But we can market to them on a retail basis, banker by banker, branch by branch, and that's something we need to do. We need to take our retail activity into the domestic banking side of the ledger, and that's what we plan to do.

On wholesale distribution supply chain finance, we talked about that. We are looking at receivables transactions and we're in the process of signing off on our first reinsurance transaction with COFOS. All those are situations we're delegating some authority or set of functions to a large partner who will be doing quite a bit of work with small businesses and saving us the need to do it ourselves.

Can we do more with our corporate partners? You bet. We talked about structured finance and there are discussions about ways to look at that. Director Loui has done a lot of innovative work with franchise finance, and we expect to see some activity there as well. Our question is, are we being thoughtful enough about how to make the most of the corporate partners we already have to promote small business?

This is the final page. What have we done so far? Most important, credit portfolio management and reporting. You can't be in the small business sector if you don't have these.

Reporting. There are a series of reporting items we're getting put together—the ability to segment data, understand the product we've done. Global access, those presentations were the first of a juggernaut in marketing and branding area and targeting of partners and small business exporting sectors. We have a lot of work to do in that and in simplifying our message and most important that we've not done notwithstanding the general complexity of our product is we've not instituted a national training program. That's something we will be doing.

On the sales management piece, we are implementing a complete change in targets in the way we conduct business in the field, and we are going to work with a new sales tracking framework that resembles much more what the business banking unit of a bank would have.

That's a brief summary of the changes. I'd love to have any questions.

## **SUBCOMMITTEES READ-OUT AND DISCUSSION OF RECOMMENDATIONS:**

### **Nelson Cunningham, Chairman, Ex-Im Bank Advisory Committee**

NELSON CUNNINGHAM: Mr. Chairman, rather than have a separate Q and A, if we jump into the next phase and we can fold the comments and questions into the report of the Small Business Subcommittee. The principal work of the Ex-Im Advisory Committee is to prepare our letter of comment on the annual Ex-Im Report to Congress that concluded in June. But the talent recruited to the committee was so strong that Chairman Hochberg and I decided we'd come up with follow on tasks for the Advisory Committee to focus on some key challenges the chairman and Congress and other observers have identified at the Bank. We set up four subcommittees: first Small Business Subcommittee chaired by Nancy Mercolino who's on the phone, second Environmental Subcommittee chaired by Joanne Witty; third Business Outreach and Marketing Subcommittee chaired by Steve Parrish who knows about marketing and outreach; and the Competitiveness Report Subcommittee chaired by Garrett Pierce. We did our work in June but Garrett has some ideas on ways the process could be worked through for next year's committee, and we'd like to put that on table.

With that, I'll turn to Nancy Mercolino who's on the phone.

## **SMALL BUSINESS SUBCOMMITTEE REPORT:**

### **Nancy Mercolino**

NANCY MERCOLINO: Thank you to Mike O'Neill, Kelly Williams and Leslie Bergland for all coming together on several conference calls to share this information. The Ex-Im is to ensure more small businesses have access to capital and exports become part of their growth strategy. Ex-Im and the U.S. government should increase demand by enhancing their marketing effort—a unanimous major theme. For example, a single ad in a single publication can reach 200,000 small business manufacturers. Local Ex-Im gatherings held every few months are helpful, for a much stronger drive for marketing will create interest. The U.S. government merging together small business export with Ex-Im, SBA, Department of Commerce can jointly merge the cost of the marketing. The Export Assistance Center would serve all these entities as the marketing cost could be shared.

The architects and engineers of the world infrastructure primarily comes from the U.S., and I heard earlier that if American companies were here they'd rather deal with the U.S. and everywhere I've travelled that's the opinion. Our innovation, creativity and

productivity are internationally desired. With the help of Ex-Im's Small Business we can globally ignite.

There are 3 main topics our team came to focus on and a couple footnotes after that. First is **marketing**, which is increasing visibility. Mike O'Neill shared: More focus on small business conferences, trade shows, cosponsored events, small business reports. Leslie is way up in technology and Googles and airline magazines and airport monitors, all kinds of possibilities. Kelly Williams, private equity outreach. There are many opportunities to interface with managers who focus on two sectors: engaging minorities and women business, but through much higher level marketing.

The second topic was working capital guarantee program. It is interesting in that the third one was the supply chain financing. I'll talk about supply chain financing, and Leslie can help me out with the working capital guarantee program.

LESLIE BERGLAND: Sure.

NANCY MERCOLINO: So 85 percent of the Working Capital Guarantee Program (off mic for rest of presentation).

LESLIE BERGLAND: One area we looked at closely was the Working Capital Guarantee Program specifically for small businesses. The issues there are, one, is the fact there's a competition with SBA in many cases. So SBA's working capital program can go up to \$5 million. So it's user-friendly I'd say in terms of the fees and turnaround time versus Ex-Im's program for the same, up to the \$5 million. There have been some changes, and things are moving along obviously in the right direction.

We find the costs in not only the facility fees but the field audits, monthly reporting, puts a bank that's doesn't want to be using its delegated authority for smaller deals of \$2 or \$3 million. If there's a way to collaborate with SBA in handling those smaller sizes we think that would be a great move forward.

The other issue we have is in terms of low-hanging fruit. We say there are so many exporters that do not use export credit insurance in conjunction with their pre-export working capital loan, and that's largely because (picking on the delegated authority lenders) they are looking at the guarantee from Ex-Im Bank for the working capital that runs to the Bank.

It's less expensive, they say, for the exporter to not have credit insurance and just have their receivables included in the working capital. Unfortunately that does not protect the exporter. The exporter, if they were to have a receivable go bad and don't have credit insurance and it results in a default under their working capital guarantee, the bank claims against the guarantee with Ex-Im Bank or SBA, and then the exporter is pursued for recovery. They had credit insurance, they'd file a claim with the credit insurer. It could be an Ex-Im Bank policy, a private sector policy. They could then use those claim

proceeds to pay off their working capital and probably continue doing what they're doing, which is exporting product.

So I looked at some statistics to find out if we could see how many working capital loans actually had credit insurance used. Those numbers are not tracked, and we're seeing even though Ex-Im Bank offers a 25 percent discount on its credit insurance for exporters that use the multibuyer policy in conjunction with the working capital, we don't see that happening very often because when there is a credit insurance policy combined with export working capital, the lender has a reduced retention of its fee. Because of having the credit insurance in place, Ex-Im Bank lowers, gives a reduced facility fee, which means the Bank retains less of the fee and the credit insurance doesn't necessarily factor into the credit approval process that the lender goes through. They don't see the value because they are working under their guarantee, the parts they can control.

NANCY MERCOLINO: In the report we do actually cite specific fees, competitiveness fees, from Ex-Im versus the other institutions, so I think that information is valuable. There are many fees getting higher from Ex-Im's side versus other government agencies.

NELSON CUNNINGHAM: Nancy, we've distributed the report to everybody, so they've got that in front of them, and they see the granularity of your recommendations.

NANCY MERCOLINO: (off mic)

NELSON CUNNINGHAM: Nancy, is there anything further you or your subcommittee members would like to add?

NANCY MERCOLINO: One more thing. There is a report from a survey of companies that did not use Ex-Im and the reasons why, and I think it's valuable information.

NELSON CUNNINGHAM: I'd really like to commend the work of the subcommittee. We distributed the report, and I'd like to suggest it be entered into the administrative record because I think it's useful for the Bank staff and the public to see the type of work of this subcommittee. Nancy, you've given some broad recommendations, marketing outreach, and gotten very granular and suggested quite technical issues and competitiveness issues I think can be usefully taken up by Bank staff and I hope Chairman they will be, while dealing with the goal of meeting with Congressional mandates. It helps build public support for the work of Ex-Im. Thank you.

We open to Charles Tansey for comments, or other questions from committee members.

CHARLES TANSEY: I did get a look at this, and I think it's an excellent job. I agree with every single recommendation. I think this is very helpful, let me walk through the key pieces.

On the marketing side, I think of all the things we have not really developed, this is the most important one, something we'll be developing, a major focus. It's not that we

haven't made an effort. I think global access is the first step taking us in the direction we need to go in marketing, and we need a brand, a systematic approach to the market. I'm not sure the approach would be the way we've done it in the past which is attending seminars and conferences--but actually targeting banks and brokers and people who serve small business community in areas we've not done before. I mentioned the domestic banking sector as an example of a group we've never targeted. Here are people who could use, particularly smaller banks, trade credit insurance; why wouldn't they want that? But we've never sold it to them.

I'd like to wrap into Kelly Williams. The fastest growing companies in the small business sector are also the ones responsible for growing the most jobs, and we've not focused on that group before but we need to. So I think that's day one, the marketing piece.

Supply chain, you've nailed exactly what the market is and where we should be looking. It's basically below or near investment grade large manufacturers who have suppliers who are a little concerned about the credit, who have banks whose suppliers' banks are concerned about the exposure. And that's where the greatest value can be generated. And we are actively working on the supply chain finance.

Working capital. I'm not at liberty to go into all the specifics on this, but as part of the consolidation effort David Rothkopf was talking about, we are and have been working with the White House and SBA and OPIC since June on a number of activities. We've not presented them internally here. There's an internal report subsequent to the report coming out in July where we met in Skunkworks with OPIC, SBA, senior people and Commerce, and we are working out specific responses to how to reconcile each of our product lines; and working capital is right up there at the top. We have some extremely good recommendations, none of which have been approved.

But the issue of stepping up the presence of trade credit insurance in working capital transactions is one. Reconciling how we integrate our working capital program with the SBAs is another. There are a couple new products out there, one we brought, one SBA brought, that will advance the attractiveness of export working capital we think. They think in terms of the big challenge we have in small business, which is mainstreaming the product. If you want to be in small business, it has to be mainstream.

So those are the key pieces I think stand out for me in this discussion and I enthusiastically support these recommendations.

JOANNE WITTY: I wanted to ask about the connection between how the Bank can market through existing government entities at the state and local level. For example, most states have some sort of economic development agency. Some states even have trade missions going. Same is true with cities and with Senate and Congressional offices. There are people in those offices in the course of their work have local businesspeople sent to them with requests about how they can access government programs. A lot of these congressmen will be useful to us in the future when it comes time for

reauthorization. So the more they are tied into the Bank and seeing it as a resource for their constituents the happier they will be about what the Bank is doing and the better they'll understand the value of it. So maybe it falls under the national training, maybe some other aspect of what the Bank is already doing in other areas, but I recommend from my own experience dealing with congressmen, senators who have an interest in this who want to know more so they can help their constituents.

State governments who are very interested in learning how to help companies especially small businesses in their states to learn how to do this and don't want to just say, go down to the SBA local office and hope for the best. Is there some way we can create a network in the government players to help promote our products?

MALE: At the federal level, one discussion we're having as part of this White House EPC is how to make the best use of local entities that are directed by federal groups. For example, OPIC has 100 loan originators around the country. They have 1500 enterprise development network consultants who do all their applications. These are people who'd be very interested in understanding how to do applications for Ex-Im Bank. The Manufacturing Extension Partnership which is part of the NIST, part of the Department of Commerce, they run around 20,000 small business contacts a year, have 10,000 contracts in force. We've never spoken to them before. That's the kind of thing we just need to take advantage of. USDA has their state and regional groups. We've never talked to them. Those are major areas for our training to go out and train those people what we are, who we are, what you can do for us. At the federal level those are the three top ones.

And I've not mentioned the SPDCs. We're involved with the SPDCs already to some degree. The SBDCs, some are part of the 70 city/state partnerships that we're expanding and tightening up the requirements for participation. We'd like to see more activity coming out of the partners; they include state development agencies, the local economic development corporations, but it's not a systematic approach at this point. My own background, I spent 10 years with state development finance agencies on bond issues, CDBG, so it's familiar territory, and I agree they are a great source for small businesses who need financing. It's just a matter of stepping up that city/state partnership program and formalizing it.

Sean Mulvaney has been very helpful to us in focusing on that, as has Director Walther. I see the issue of going out and talking with these people, particularly easy now because we have products designed for their use. An example, two years ago we went to the credit union National Association and spoke to their senior management about how we could work with credit unions more effectively, and we couldn't come up with anything they were interested in because our products were just too high a barrier to entry for their 6,000 members to take on. We met with them last week, Director Walther brought them in, and they are very excited about Global Credit Express, about Express Insurance, because these are easy to use type products we do the footwork for. We feel if we can sell that to people who are domestic lenders we can also sell them to the DFAs and the local economic development. Thank you.



NELSON CUNNINGHAM: Nancy, you led a great process, and I commend you for coming up with some big ideas and small ideas that can make a difference because this dovetails naturally with the outlook and marketing Subcommittee's work. Joanne, would you mind if I flipped and I turn next to Steve Parrish? Then we'll come to you on environment. Steve, let me turn it over to you and build off the interesting discussion we had about what Ex-Im can do in the small business area to increase its profile and what your broader recommendations are and that of your group?

STEVE PARRISH: Thank you, Nelson. We've had one group discussion, and I tried to supplement that with discussions with individual members of the subcommittee and some others, such as Joanne, which was helpful to put thoughts together. The good news, the Bank has a great story to tell. The bad news, the challenge is, it can be very complicated and complex, almost overwhelming if we think of it in terms of trying to tell the whole story to everybody. We need to think about a more targeted approach in terms of outreach and marketing that's directly linked to the Bank's overall business strategy. If not directly connected to the business strategy then we should ask why we're doing it.

So three suggested areas of focus: this is already being done, but we ought to think about key influencers in terms of key geographics in the business community and public policy arena and media, and not just the national media but local as well, which Joanne alluded to. There should be an outreach plan for the Bank and key individuals with specific goals and objectives in terms of the chairman but also key staff members. What parts of the world are the individual staff members responsible for developing relationships? Where appropriate, that outreach plan should include individuals on the Advisory Committee, a resource we can do a better job of tapping.

Consider a more formalized speakers bureau with the Bank senior staff and, where appropriate, Advisory Committee members.

In developing outreach plan, take a close look at the gaps in relationships and how to fill the gaps, including as we recruit new Advisory Committee members to fill the gaps by outreach to key stakeholders.

Third, focus on better leveraging the Advisory Committee members consistent with our role, and a lot of us on the Advisory Committee think of our role as the outside-in.

Finally, we need to think of how to define success when we talk about outreach and marketing and define progress toward success. There are resources and some legal issues as to what we can do to measure our success, but we need to give thought to our metrics we use to define and measure success.

NELSON CUNNINGHAM: Thanks very much, Steve. I'd echo the notion that the Advisory Committee members are really willing to give their time to the Bank, and we're spread out across the country, we look more like America, and I'd say use us. I've also

thought it might be interesting to have one of our Advisory Committee meetings not in Washington but out in a part of the country, get local media engaged and use collection of Advisory Committee members to pump up the work of Ex-Im in that community. That collection of ideas, Steve, is good.

MALE: As an example, there's a not-for-profit board I chair that Fred is familiar with, and our development senior VP had everybody on the board do what she called a "Treasure Map" which is "Who do I know who knows somebody we'd like to know who knows somebody we would like to know to ask to give us money?" In terms of the Advisory Committee, if we could start thinking who do we know who may know somebody who could be important to the Bank in terms of outreach and marketing, whether in the media, an important NGO or trade association, public official, whatever, I think we'd be surprised at what we come up with.

NELSON CUNNINGHAM: Reactions, comments, questions from other committee members?

MALE: We talk a lot about additional resources at state/city level. Have we identified any markets from the small business perspective we see potential, and why wouldn't we look at investing in a marketing person sitting in a U.S. consul in that market with a commercial officer doing an outside-in to bring business in, which I think on the small business side is what we heard that's what they really need, where to find the customers.

FRED HOCHBERG: This has been great. We got a lot of requests for that. There's not a trip I take around the country, I got lobbied yesterday in NYC to open an office in Denver, to open offices in Sub-Saharan Africa. Pat and I probably heard that in Vietnam, hear it in China, in India. Just a couple facts. Up to now a lot has been really budget issues. If we put a U.S. person there, the cost to the bank is in the 4 to 500,000 per person because we have to pay our prorated, allocate prorated share of state department costs. Someone locally is far less expensive. We haven't pursued this in depth mostly based on the budget because to do it, we could try one or two but we'd have to say the plan would be at some point we'd have a dozen, and we've been reluctant based on the budget environment. We've not gone down that road. It does come up and we have a budget proposal we've got to be submitting imminently. I think we probably this conversation and what I've heard in the last year, we probably need to formally look at that and think it through and get some ideas from people on the Hill and OMB. Up to now it's been a tough place to go.

Deven.

DEVEN PAREKH: I invest primarily in technology and I know the Bank does do services. You talked about some of the deals in the past in technology. Trying to mine-share when I talk to companies, software or hardware, around export financing as a concept. They are all going to these markets aggressively just as growth has slowed down here. They are all going to BRIC countries. Vertical market where there's significant opportunity particularly around small business that's an outreach to your idea

of venture capital funds or private equity funds or investing those areas would increase—it's an option. I don't think most people realize it's an option.

FRED HOCHBERG: A couple great comments. Running one of these meetings outside Washington would be a great thing to do. Thinking about what Nancy, Leslie and Mike and the other members of the Small Business Committee, it would be very helpful to do some soundings around the country. We've talked about having a Small Business Advisory Committee but frankly listening today they were such good suggestions, taking that formally on the road we could visit—we're just opening up four offices this year so that might be a good place to start. So I'm taking 4 or 5 pages of notes, and I think we've got a lot of good ideas.

NELSON CUNNINGHAM: Fred, I'm looking at Thea Lee and Owen Herrnstadt. Labor is a great network, and I don't know whether it's a way to get workers to talk to their employers about what Ex-Im can do to help sell more products abroad and whether that's a network that can be tapped by Ex-Im to get its message out the way we do in all sorts of other channels.

THEA LEE: As long as we can keep those domestic contact (unclear).

NELSON CUNNINGHAM: Thanks very much, Steve. That's really useful and interesting. Let me turn it over to Joanne Witty to deal with one of the other very high profile issues that Ex-Im hears about from outside communities and constituencies—that's environmental issues.

## **ENVIRONMENT**

JOANNE WITTY: I want to say first, Craig and Jim and all the people involved in not just one group, across a lot of groups that deal with environmental issues - they've been extremely generous in educating all of us about the way in which the environmental procedures and guidelines affect the Bank's financing and also about the carbon policy and mandates for renewables. Also in just the way the Bank works, which is really invaluable to understanding the environmental issues the Bank will have to wrestle with.

The environment can seem like a very contentious issue, but it's not, and the Advisory Committee members are here to do what we can to help balance these issues, being sensitive to the environment but also to the other goals of the organization to create jobs and increase exports for U.S. companies. I'm going to tell you briefly what the committee's been thinking about, what stories does the Bank have to tell about the environment that are positive? That should be our focus.

What we've learned by talking to a lot of people and studying the cases where these issues have arisen is that the most positive stories we can tell about the Bank are about its renewable portfolio which as you heard from Craig has grown astronomically since the mandate went in, and it didn't just grow by accident. Craig has been out there travelling the world and so has Fred, pitching this business in a lot of parts of the world including

India. Craig has worked in India for awhile, but we had some fortuity in India that's led to a very interesting story.

As many of you probably know, the Bank has financed a coal-fired power plant in India called Sasan, which initially when the proposal came to the Bank the carbon policy had just been instituted. And the carbon policy has a maximum carbon intensity that's permitted for any projects the Bank finances. This Indian project was really close to the limit, and the carbon policy requires first the Bank look at the environmental feasibility of the project before it gets into an analysis of the credit. It did that in this case, felt the intensity was just too great and the possibility of going over the cap was too high, and decided they weren't going to go any further with the project.

That came as a big surprise to the project sponsor in India, Reliance, which is an enormous power company. They were very surprised at the Bank's reaction, and upset, and asked the Bank to reconsider. They provided a lot more information. The upshot was they showed the Bank India had an energy policy, unlike the U.S., that provided for quite a bit of renewable in addition to coal-fired power plants. And Fred and Craig spent a lot of time there and negotiated an arrangement where the Indians were willing to make an adjustment in the carbon emission side and willing to commit in connection with this construction of a certain number of gigawatts of solar power. And the Bank financed that as well.

Then all around this the Bank created a presence in India which was seen by everyone there to be quite positive and cooperative, and as a result the Bank has financed quite a lot of new renewables, primarily solar, in India. And our business there has grown, and we are one of the biggest go-to financing ECAs for solar power in India.

So what we think this means and what is our obligation to explain to those prepared to listen, when the Bank considers these projects they do it in a world where the countries coming to us for financial assistance are developing countries trying to grow fast and need a tremendous amount of energy and, therefore, like our President say they are doing "all of the above." These are countries, many with energy plans that lay out the range of things they'll be doing, and we saw the nuclear power plant, another place where we could grow tremendously our solar business. The Bank finds when they are asked to finance these projects it's not an either/or, but that we can do this and gain the trust of the borrowers and country and learn the market, and we can also do that, and maybe a third thing like bio-gas in Brazil, solar in a number of places but right now India and perhaps South Africa where we did another power plant, the Mideast big potential for solar and also perhaps nuclear. The story the Bank needs to talk about is if you're not at the table, you're lunch. If you are at the table you have a chance to influence the people, conversation, sponsor of the big development project if there are best practices, influence the transaction, the people. You can influence the requirements and how people come to see the project in a different. If you just walk away and say "we don't do that," you don't have any of those opportunities and someone else may come in i.e. the Chinese or another BRIC country who will sympathize with the needs and finance the transaction.

And we'll have no input whatever to produce anything good or further our own economic interests or produce and protecting jobs. And we will just be out in the cold.

That's a story worth telling. And maybe we start small, not be too ambitious and talk about India, the clearest case first. We know a lot of people involved with Indian business including a former member of this board Diane Farrell. We've talked about could we engage Diane to begin talking about the story in a lot of forums where it will be well-received, (and the Indians are interested in talking about it), and see how it goes, and bridge out from there.

NELSON CUNNINGHAM: Joanne, very well done, a lot of passion and a lot of great talking points and lessons for the Bank in how to talk about these issues in a way that tells the full story. Any comments or questions? Thanks, Joanne. Let me turn to the last subcommittee report, Garrett Pierce, who was my chairman, served on his subcommittee drafting our comments to the Competitiveness Report. Over to you, Garrett.

## **COMPETITIVENESS REPORT**

GARRETT PIERCE: Thank you, Nelson. The subcommittee I chaired, the role was to facilitate the participation of the full Advisory Committee to produce this report, 200 pages to digest in June and put out a 3 page report, a daunting task. The full Advisory Committee did that, an inclusive activity. The conversations were robust, full and frank. We produced a comprehensive, thoughtful and focused report. Since then, I've reread the report and thought it helpful for the subcommittee to close the loop as we look forward to June 2013, the next comprehensive report to come out and the statement from the Advisory Committee. Mona Jabbour organized two brief meetings, one August 15 and one September 12, and Isabel Galdiz, Piper Moffitt and Stephanie Thum were there. I was interested to hear of the new electronic survey being produced with us with the Bank by an outside expert, and got good insights on that. What came up in the report also was to look at other options beyond the online survey to assess competitiveness, particularly in the public policy mandate area that we talked of today, to support and create U.S. jobs. We discussed activities to further understand and garner deeper understandings of threats from unregulated sectors of government, ECAs throughout the world; to continue to expand the focus groups and capture not only what the customers are saying but the customers we lost or had not come to the Bank. The support of Nancy and Steve and small businesses and that the Bank should consider a formal grading program for small businesses. If you don't measure it, you cannot assess the real progress and have the patience and persistence. I was thankful to the staff to further educate me, and I think we'll have a very good report next year also. Nelson.

NELSON CUNNINGHAM: Other comments? Let me thank the subcommittee chairs for putting in a lot of time and effort on this. I appreciate that and I'm sure the Bank staff appreciates it. We have time for members of the public who were here participating and listening to make comments, and we welcome anyone to come forward now.

**PUBLIC COMMENTS:**

KATE BISHOP: My name is Kate Bishop. I'm with the Global Business Development Group. I was previously with small business. I've been here not quite five years. My comment is to follow up on Thea Lee's suggestion and look at what the WTO requirements are on export finance and use that forum since China is already a member to maybe push them in the right direction.

NELSON CUNNINGHAM: Thanks for that. Any other comments or questions?

JOANNE WITTY: I've been on the Advisory Committee only a couple years but in the Competitiveness Report the last two years that's exactly what we've been struggling with, and I think if there's another system available to us, especially in that context, if we could point out to Congress when we do the Competitiveness Report that there is another system in which we could think of ourselves as operating and how we'd navigate that, would be enormously helpful to us.

NELSON CUNNINGHAM: I know Manana Freyre, who's the able general counsel, was here with us earlier and may have been given a homework assignment to take a look at the WTO rules and what the Bank might be able to do. Mr. Chairman?

FRED HOCHBERG: Let me thank the Advisory Committee. Your advice, formal and informal at meetings and between meetings, is really helpful. I took notes from the subcommittee, and I appreciate some of the ideas on small business, on the environment. We have a good story to tell and we need to strengthen that communication. I thought about what Garrett said in terms of the Competitive Report and thinking forward to this year's report that will be out Monday, comes out June of 2013, with our reauthorization, will be a key report in terms of making clear to our vast public and members of Congress the competitive pressures we face. This is all timely. The challenge we have with small business, in renewables, getting our message out and thinking of taking this meeting around the country and thinking of how we make sure we have clear communications for the public and members of Congress. We had a challenging reauthorization this time, but I don't have any delusions it will be any less challenging in 2014.

I want to use this forum which is a public meeting, we're coming up on a year end and the business group will meet Friday, we have a board meeting Thursday, and publicly I want to thank the entire Ex-Im staff for the reports made, the work we've done on Competitiveness, service and so forth. The Ex-Im Bank team of staff has done an extraordinary job, and that's why we can make a presentation like this.

**[Applause]**

And I think in closing, I want to thank every board member for their service. Some of you just came on, some have been on a number of years, and there's an open process now by law we keep open to those who'd like to join the Board, so we're going through that process. It ends October 5, so regulations require we open it up, and we'll rotate some

members through. Because this has been such a productive year we'd like to make sure we get new, additional voices and other perspectives.

I thank everybody for a spectacular year. Nelson, it is partly a credit to you and your leadership this has been the most productive year we've had for getting actionable work for the Advisory Committee.

Thank you all for being so generous with your time, and we'll get to you soon.

NELSON CUNNINGHAM: My final act is going to be to adjourn, but my second final act as your chairman is a couple thank you's of my own. Fred, on your staff: I have leaned more than you know from Kevin Varney and Mona Jabbour who have done a terrific job of supporting our work and allowing us to be productive. I will join you in thanking the Advisory Committee members. When you ask people like Dan Tishman or Fred Bergsten or Mike O'Neill, any of us, to give as much time as we've done to the work of this committee, it's a meaningful act, a great act of citizenship the committee members have given. I am really grateful. Fred, I'm thankful and grateful to you for the opportunity to play a role with that, and to be a close observer of the great job you've done leading this organization. Whether you are here next year will depend in part on what the voters decide in November. I know which way I'm leaning and who I'd like to see sitting in the chair next year. But thanks to you and your terrific team.

As my final act, we are adjourned. Thank you.

**[Applause]**

[The meeting was concluded and adjourned]

EXPORT-IMPORT BANK OF THE UNITED STATES

ADVISORY COMMITTEE MEETING

Wednesday, September 18, 2013

11:10 A.M.

Export-Import Bank  
811 Vermont Avenue, N.W.  
Washington, D.C. 20571

PRESENT:

BOARD MEMBERS:

Fred P. Hochberg, Chairman and President  
Nelson Cunningham, Chairman  
Sean Mulvaney, Director  
Patricia Loui, Director

ADVISORY COMMITTEE MEMBERS:

Mark Fallon  
Cherod Webber  
Peter Baranay  
Nancy Mercolino  
John Bakane  
Michael Boyle  
Mary Andringa  
Christie Gregoire  
Carol Browner  
C. Fred Bergsten  
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P R O C E E D I N G S

MR. CUNNINGHAM: Well, thank you, thank you for that admirable compliance. I'm Nelson Cunningham. I'm the president of McLarty Associates, but I'm here today in my function as chairman of the Ex-Im Bank Advisory Committee, the end of my second year as chairman. This is our last meeting of this committee, our last meeting of the fiscal year, and it's an opportunity for us to think about -- to go over the year that's been. It's an opportunity for the Bank to update us on where the Bank -- how the Bank sees this year closing out and what the Bank's challenges are in the coming year. It's our final opportunity as committee members to provide our input to the Bank, and we have two subcommittees, the Small Business-Textile and our Outreach and Marketing Subcommittee, which have some recommendations which they're ready to present to the Bank.

I can report that we just came from a very robust, really almost a focus group session this morning in the chairman's office with a number of our Advisory Committee members who are small business members, who themselves run small businesses and have used the Bank, and it's because the Bank has a focus which they are -- which they continue, beginning with the chairman, to try to build the small business penetration of the Bank's work, and it was extremely useful. I would say it was a full and frank

1 discussion, Mr. Chairman, about what the Bank could do to  
2 help reach out to small businesses, and I think, I think a  
3 lot of very useful ideas came out of that. So thank you for  
4 giving us the opportunity to meet in sort of a rump focus  
5 group to give you and your senior staff some input on the  
6 small business programs.

7           Today's program, we will first hear from Fred  
8 Hochberg to walk us through where the Bank is today; we'll  
9 have comments from some members of the Board, including Pat  
10 Loui, who will talk about the work of the Bank; we'll have  
11 the subcommittee reports and discussion; we'll have a lunch  
12 break at 12:30; and then after the lunch break we'll have a  
13 presentation by one of President Obama's key economic  
14 advisors, Brian Deese, who a number of us have known from  
15 his time at the National Economic Council where he helped  
16 craft the Administration's economic and international  
17 economic policies. And he's now the deputy director of the  
18 Office of Management and Budget, has just been pulled over  
19 there onto that subcabinet position, and Brian will give us  
20 an update on the Administration's view of the economy and of  
21 how OMB sees things. We're actually lucky to get him given  
22 -- you can imagine what OMB is up to these days in the  
23 waning days of a fiscal year in which there's no budget for,  
24 starting October 1, but we're delighted to have him here.  
25 And that will be today's program and then we'll adjourn.

1 With that, let me turn it over to Fred Hochberg, our  
2 chairman and president.

3 MR. HOCHBERG: One thing I look forward to is when  
4 we renovate the building and we move up to a proper room,  
5 because we have -- I feel like we have turned this room  
6 inside out, upside down, and it's very hard to find a way  
7 that we can actually see everybody who's joined us and have  
8 some monitors and so forth. And Mike Cushing and his team  
9 have done a spectacular job, but it is a -- we're in a  
10 challenging space, and I'm looking forward, Mike, when we  
11 move upstairs, to be in a less challenging space. So let me  
12 just -- so we're hoping that this layout works a little bit  
13 better. At the last meeting, we had everybody -- our backs  
14 were to the audience, which struck us as not a very open way  
15 of conducting an open meeting on the work --

16 MR. CUNNINGHAM: Yes.

17 MR. HOCHBERG: -- of the Advisory Committee.

18 Let me add to Nelson's comments, really just to  
19 thank each and every member of this Advisory Committee for  
20 their input and their perspective, one, most importantly, on  
21 our competitiveness report where -- which is the actual  
22 congressional mandate of this committee. Each year has  
23 gotten better, and I think Isabel, is Isabel here or -- I  
24 think she's overseas. Let me mention then, Isabel Galdiz is  
25 our new vice president of International Relations in the

1 policy shop, but -- and you all met her, and I think if --  
2 she has five children. So if she can manage and run a  
3 household with five children, she can get this competitive  
4 report out and out well, quickly. She got five kids off to  
5 school every day. She did a pretty darn good job. But this  
6 committee was very helpful, and I really do think this was  
7 the strongest report we had as yet in terms of more  
8 actionable, more insightful, and our goal, frankly, is to  
9 make each one better than the previous one. And it isn't  
10 the committee. Let me just really single out Nelson  
11 Cunningham, our chairman, who's been chair for the last two  
12 years. Part of the reason I think we've had such a good  
13 process, in terms of looking at the data, analyzing the  
14 data, and making it actionable, has been Nelson's chairing  
15 of the committee, chairing of the letter that goes from the  
16 committee to Congress. And I met Nelson a number of years  
17 ago but, most intensive, because he actually wrote the  
18 transition plan, was the co-author at the transition in  
19 2008. So I feel a huge debt of gratitude to Nelson; so I  
20 just want to give him a --

21 MR. CUNNINGHAM: Thank you.

22 MR. HOCHBERG: This is in lieu of the large bonus  
23 that you will be getting as a result of that. Let me just,  
24 we've got a number of staff changes, and I want to make sure  
25 everybody sees and knows some of the faces here at Ex-Im

1 Bank that have changed. Let me start actually, I mentioned  
2 Mike Cushing. Mike Cushing, who has been with the Bank  
3 since 2001, will become our acting chief operating officer  
4 as of October 1st. Mike, stand. And actually, there's a  
5 parallel here because Mike was the person tasked at Ex-Im  
6 Bank with working on the transition and working with Nelson  
7 and others. So he has --

8 MR. CUNNINGHAM: Yes.

9 MR. HOCHBERG: -- he was at OPM. Before that he  
10 was at OPEC. He's got a lot of government experience, went  
11 to that school up in Boston, someplace in Cambridge, but, I  
12 think, will do a great job, and I'm very, very happy he's  
13 agreed to step up on an interim basis while we search for a  
14 full-time person in that position.

15 Is Nicole here? Nicole Valtos was promoted to  
16 vice president of operations in the Export Division, and she  
17 also began in the last month. Isabel Galdiz I mentioned  
18 recently. Piper Moffatt retired over the summer, and Isabel  
19 Galdiz has become the new vice president for International  
20 Affairs.

21 Jim Burrows, where did I -- did I see Jim?

22 UNIDENTIFIED SPEAKER: Jim's traveling.

23 MR. HOCHBERG: Jim is traveling. Charles Tansey  
24 is going to be, is far too young, but he's retiring at the  
25 end of the month as head of our Small Business Group, and on

1 an interim basis, Jim Burrows, who is traveling today and  
2 has been overseeing all the field operations, will be acting  
3 head of Small Business while we make some plans on what the  
4 next steps are in that area.

5           We've also got -- joining us is Claudia. There  
6 she is right there. Claudia, I'm going to have Claudia  
7 stand up for a second. Claudia Slacik is freshly minted,  
8 joined us yesterday, and she is our new chief banking  
9 officer, senior vice president for Export Finance. She will  
10 be -- she was most recently at J.P. Morgan, spent a long  
11 part of her career at Citibank, I think more at Citibank  
12 than J.P. Morgan, if I recall, like 18 years. Did I do that  
13 right?

14           MS. SLACIK: Eighteen years.

15           MR. HOCHBERG: Eighteen years. I am really very  
16 excited. She's been in banking, she looks far too young,  
17 for 30 years in banking, also was stationed in London for a  
18 while, so has a real great global perspective and will be an  
19 enormous addition to our Export Finance team here at  
20 Ex-Im Bank.

21           John actually is in Copenhagen today, John  
22 McAdams. John McAdams, who joined the Bank actually as an  
23 appointee under President Bush in 2002, completed 10 years  
24 last year, is probably one of the longest serving political  
25 appointees for both President Bush and President Obama. He

1 was actually, at one point, in Credit Policy, then moved  
2 over to Export Finance, has been acting chief operating  
3 officer, and when Wanda Felton's term ended in July, he's  
4 been acting -- he must be a really good actor because he's  
5 got a lot of acting roles -- he's been acting vice chair of  
6 the Bank. He's going to be departing at the end of the  
7 fiscal year, on September 30th. He's going to be joining a  
8 firm that does export finance.

9           So he won't be that far away, and we need more  
10 banks to be doing export finance; so -- but let me just say  
11 one thing. John's been here for 11 years. I've had a --  
12 and I really say this -- privilege of working with John.  
13 I'll, for those of you who come to his retirement party,  
14 I'll probably say the same thing there, but I'll -- to have  
15 an impact on a federal agency that has such a long history  
16 as Ex-Im Bank and as large as it is, is daunting, but John  
17 has probably had a greater impact on this bank than probably  
18 any chairman I can think of. And he has, Mike would tell  
19 you, I guess like four chairmen under his -- that John has,  
20 quote/unquote, survived or served under, depending on your  
21 point of view, but he has been invaluable, I think, to the  
22 Bank. He's certainly been invaluable to me in terms of how  
23 we have moved forward, been able to seize opportunities that  
24 needed to be seized as the credit crunch and the financial  
25 crisis hit. He is, his memory and legacy will live on a

1 long time.

2           He is in Copenhagen now on a climate finance  
3 meeting that was organized, and Jim Mahoney, who's with him,  
4 who's head of Engineering, just came in to see me, and he  
5 said, how could you, how could you let John leave? I said,  
6 well, I didn't have a lot of choice. But he will be truly  
7 missed, but I know Claudia is going to do a spectacular job  
8 of filling that in.

9           One or two other quick announcements. Jeff  
10 Abramson departed last week, was with the Bank 11 years, has  
11 also joined the private sector in the export insurance area.  
12 And Annette Maresh -- Annette, why don't you stand up so we  
13 can see -- Annette will be acting in his place on the trade  
14 finance area while we make some more permanent long-term  
15 plans. So thank you, Annette. And as I mentioned earlier,  
16 Charles Tansey. So a number of changes in our staff lineup  
17 here at Ex-Im Bank.

18           Quick review of where we are year to date.  
19 Through August, we have just under 26 billion dollars' worth  
20 of authorizations. We've got another, about two weeks left  
21 to go. At the current rate, I think that our -- it's clear,  
22 although I don't like to forecast -- our authorizations will  
23 be off from last year, and in many ways, that's a good sign.  
24 It's a good sign in terms of, we are seeing that the private  
25 sector lending is beginning to, I would say, tiptoe back in,



1 and so we're seeing a little more interest on commercial  
2 lenders to be able to make loans that help exporters. We've  
3 seen that in the aircraft space. Yesterday I was in Canada.  
4 I met with TD Bank, which is coming very strongly both in,  
5 in a number of our product lines.

6           So I think that we're seeing a little more banking  
7 activity, which is a very strong sign and that's something  
8 -- you know, we fill a gap. We're not looking to just keep  
9 increasing authorizations to increase authorizations. We're  
10 doing it to make sure that if money is standing in the way,  
11 if financing is standing in the way of making an export  
12 sale, we want to do everything we can to remove that  
13 stumbling block. So those are some good signs.

14           So far already, even at this reduced level, we've  
15 been supporting north of 200,000 jobs this year. So on the  
16 job front, that is the clear goal. I will tell you, I was  
17 at a G-7 meeting yesterday in -- on Monday in Canada, and  
18 there was a lot of discussion about loans in the national  
19 interest, and when the new Japanese representative asked, he  
20 said, so you make, what about the national interest, and I  
21 said we're about jobs, we're about increasing jobs,  
22 supporting jobs, American jobs; we have zero objective and  
23 zero mission on the national interest, and I'm telling you,  
24 he virtually fell out of his chair. He said, coming from  
25 Japan, he said, I don't understand, I don't -- I said, no,

1 we don't -- we are about jobs. And I'm proud of the 200,000  
2 jobs and that's really what -- that's why we're here.

3           A couple of examples just of some of the  
4 noteworthy transactions we've done, just to give you a  
5 flavor of where that's coming from. We did a large  
6 transaction for Pemex, about one-and-a-half billion dollars.  
7 It's going to support jobs in 10 states, just under 7,000  
8 jobs. Pemex, I think, is poised for greater growth. I was  
9 down -- Manana and I were down in Mexico in March and met  
10 with the new CEO of Pemex. I think that Mexico is really  
11 turning to more of a market economy, and I think that  
12 partly, just as a point of fact, about 40 percent of the  
13 Mexican federal government's budget comes from Pemex. So  
14 being able to access foreign credit becomes critical to  
15 making decisions on where they do their sourcing. So,  
16 because of that, we've been able to really bring more  
17 sourcing to the U.S. and more jobs to the U.S. as a result  
18 of partly that policy decision, because we don't support  
19 another oil company to that extent because in that industry  
20 it generates a lot of cash, but in the case of Pemex, they  
21 do generate a lot of cash; it just goes right to the  
22 government.

23           MR. CUNNINGHAM: You know, if I could add on that,  
24 I was in Mexico last week, and I met with the head of Pemex,  
25 Emilio Lozoya, who is someone I've known for a good many

1 years, and his sense of optimism continues. They've  
2 introduced their energy reforms, the government is in the  
3 midst of a whole series of key reforms to the economy, with  
4 energy being one of the capstones, and he is looking, he is  
5 looking forward to dramatically increasing his ability to be  
6 able to explore and to produce in Mexico in the months and  
7 years ahead with these reforms and that has to be good news  
8 for the Bank.

9 MR. HOCHBERG: Very much so, and I think Manana, I  
10 think that's what we saw when we were down there and met  
11 with him in March.

12 Another just two quick ones. We did another  
13 financing for a company called SpaceX, which is out in  
14 California, visited that back, Scott and I -- where, is  
15 Scott here, Schloegel?

16 MR. SCHLOEGEL: Right here.

17 MR. HOCHBERG: There he is, hiding behind Celeste.  
18 Scott and I visited SpaceX in, I guess that was February or  
19 May, I can't, I've lost track. We had a couple of trips out  
20 there. This is a great new company. It's owned by Elon  
21 Musk, the backer of the Tesla, but this is really a game  
22 changer in the true sense of the word. It's driving down  
23 the cost and making the United States a much more dominant  
24 player in actually space, in satellite launches. The most  
25 recent one we did was a satellite going to Israel. But

1 satellites have become a very strong and important part of  
2 our export profile. In the last year, we've financed about  
3 60 percent of all commercial satellite exports -- a very  
4 large footprint in that area.

5           And the last one is a smaller business called  
6 Thrush Aircraft, which is in Georgia, and we financed --  
7 it's one of Annette's clients -- and we financed 20 of their  
8 airplanes, crop dusters essentially, to China, and the CEO  
9 said, quote, I'm not exaggerating when I say this deal  
10 simply would not have been possible without Ex-Im banking  
11 behind it. And I want to thank Annette and her team because  
12 that's a great transaction and very important to, one, in  
13 the key market, because there are a lot of people in China  
14 and there are a lot of farms in China. We actually financed  
15 some -- was it the cotton equipment, Annette, to North  
16 China?

17           MS. MARESH: Uh-huh.

18           MR. HOCHBERG: This farm in northern China is the  
19 size of the State of Connecticut. This farm is the size of  
20 the State of Connecticut. So when we make a sale, even 20  
21 crop dusters, and they're happy with the product, there's a  
22 lot more where that comes from. So that is a very strong  
23 export and, again, a very small business.

24           So, as I mentioned, we're not in the business of  
25 competing with the banks. We're in the business of

1 supplementing them and making sure that they can continue to  
2 finance. I am proud of the job growth we've had, and  
3 frankly, our exports are still up. Our exports still top  
4 \$2.2 trillion last year. July was the second highest  
5 monthly total for exports ever and that was only because the  
6 previous month, June, was even higher. So we are operating  
7 at 185, 190 billion dollars a month of exports. When the  
8 NEI started, it was in 130. So we've made a dramatic change  
9 in the export profile of this country, and many of the  
10 people who are on this committee, particularly the small  
11 businesses, have been a major part of that, and we just met  
12 briefly on that.

13           Speaking of the NEI, we still have a ways to go,  
14 but actually, I did a -- we did a quick review, and in 28  
15 countries we have already doubled exports. Twenty-eight  
16 countries have already doubled the exports, and we're not  
17 merely at the high point, and another 52 are right on track.  
18 So we've got a large portion of the world without -- and we  
19 all know about the headwinds we're facing, politically and  
20 economically, but in many, many countries we've already done  
21 it. And in terms of states, New Mexico and Virginia have  
22 already doubled their exports and we have another 21.  
23 Almost half the states are solemnly on track to double  
24 exports within five years, and we're working with the rest  
25 to get them up to par. So that's been very strong.

1           A key area has also been risk, and we now report  
2 our claims to Congress every 90 days. We are running at .26  
3 percent, one-quarter of one percentage point. And this was  
4 a large discussion we had yesterday at, Monday, at the G-7,  
5 and the chief risk officer of the Export Development of  
6 Canada, EDC, was asked at the board meeting, they said,  
7 well, if, they asked the chief -- this is a true story --  
8 asked the chief risk officer, do you sleep well at night,  
9 are you able to sleep through the night, and he said, he  
10 said, you know, I sleep like a baby. They said, you sleep  
11 like a baby? He said, yes, I wake up every two hours,  
12 screaming, at which point the chairman said, I don't really  
13 think that's the kind of joke I'd like you to tell in front  
14 of our board. So -- but we are intensely focused, and  
15 frankly, our two board members who are sitting here, both  
16 Pat and Sean have made that -- have underscored that at our  
17 board reviews.

18           Lastly, let me just talk briefly about climate  
19 change, a couple of things: one, I was with the President.  
20 I had the privilege of traveling with him to Africa where  
21 the President announced Power Africa, \$7 billion of which we  
22 were 5 of. And I just met with our -- he's not had his  
23 hearing yet, but who will be here hopefully if confirmed by  
24 the Senate -- our next ambassador to Tanzania, Mark  
25 Childress, who's been nominated but still has a hearing

1 ahead. We are very much focused on how we can finance  
2 power, power equipment, and the full range, from renewable  
3 to gas to nuclear and the full range of that.

4 As you know, the President has announced a climate  
5 change initiative, a climate action plan. We are going to  
6 be -- we are in the process of reviewing that and  
7 implementing that and taking comments from stakeholders in  
8 terms of how we, how we approach that in terms of managing  
9 our role to be mindful of the environment and, at the same  
10 time, also creating U.S. jobs.

11 So let me just take a pause. I asked our two  
12 board members, Pat and Sean, if they could share with us  
13 some of their experiences in the last several months, both  
14 on the road and here in Washington. So I was going to start  
15 with Pat, who's been steady in terms of developing our  
16 markets in Southeast Asia, has been to Vietnam, Indonesia,  
17 Singapore, China, and it was also her birthday yesterday.  
18 So --

19 UNIDENTIFIED SPEAKERS: Happy birthday.

20 MS. LOUI: Thank you.

21 MR. CUNNINGHAM: Mr. Chairman, I'm advised that  
22 they have technical difficulties with the screen. You can  
23 see they're working madly at it.

24 MR. HOCHBERG: Yes.

25 MR. CUNNINGHAM: And since Pat has a presentation

1 she would like to use --

2 MR. HOCHBERG: Oh, she has a visual. We'll pause.

3 MS. LOUI: Thank you.

4 MR. CUNNINGHAM: -- we may need to scramble just a  
5 little bit --

6 MR. HOCHBERG: Yes.

7 MS. LOUI: Thank you very much.

8 MR. CUNNINGHAM: -- to give our technicians more  
9 time to --

10 MR. HOCHBERG: Okay. So why don't I turn to Sean.

11 MR. CUNNINGHAM: And then if they're not done  
12 then, then we can go to --

13 MR. HOCHBERG: Then we'll keep going. We'll --

14 MR. CUNNINGHAM: -- we can go to one of the  
15 subcommittee reports and --

16 MR. HOCHBERG: -- we'll circle back.

17 MR. CUNNINGHAM: -- and we'll go back, so --

18 MS. LOUI: Thank you very much.

19 MR. CUNNINGHAM: -- with apologies on the part of  
20 the gremlins who have, who are monkeying with our system.

21 MR. MULVANEY: No, thanks, Nelson. I'll -- let me  
22 just make a few comments in the spirit of some of the  
23 comments that Fred made and thank all of you for the role  
24 that you've played on the Advisory Committee. The advisory  
25 committees across the federal government are set up for



1 agencies and cabinet departments so that as executive branch  
2 career officials and political officials, that we constantly  
3 have the pulse of a private sector economy or stakeholders  
4 or constituencies that are impacted by our mission. And,  
5 you know, Congress wants us to have all of you whispering in  
6 our ear what's going on in each one of your respective  
7 industries or sectors so that, you know, we're -- they know  
8 that we're listening, and so I greatly appreciate all of  
9 your service.

10           And as you can tell from Fred's comments, I mean,  
11 it's sort of a time of transitions. I mean, we have  
12 transitions inside the Bank with a lot of staff changes and  
13 movement around; so we'll be having some new people on  
14 board; some people are being promoted, and as that happens,  
15 I think you can be an invaluable resource to help those  
16 people understand your world that you operate in. Some of  
17 the people are new coming to the Bank, and you know, it's  
18 helpful for you to share those views.

19           And, you know, kind of in that spirit, let me just  
20 say that, you know, another transition is kind of  
21 transitions in the global economy, and I feel like -- I was  
22 talking to, or I had mentioned it to one of the other  
23 Advisory Committee members. I recently read an op-ed by  
24 Adam Posen, who is head of the Peterson Institute, and he  
25 talked about how, you know, we're living in sort of a

1 Victorian age again, you know; we haven't lived in a world  
2 like we face now that is multipolar in nature and has as  
3 much geopolitical competition from this multipolar world in  
4 100 years. And, you know, it's going to be a rocky 21st  
5 century, and I feel like advisory committees are going to be  
6 extremely helpful to federal agencies, like ourselves, in  
7 understanding that world, at what you're facing as a private  
8 sector.

9           We all serve in a continuum, Fred and myself. You  
10 know, there were advisory boards before you; there will be  
11 advisory boards after you. And, you know, I want to say  
12 that it's always helpful when you document your points of  
13 view and put those on paper and submit them into the  
14 process, both for Fred and myself and for Nelson. Your time  
15 is coming to an end, but I look forward to these reports of  
16 the subcommittees that you're going to give, and I just  
17 would encourage you to take a moment or two, if you haven't,  
18 and document your points of view to make sure that we  
19 capture them. Some staff are in the room, of the Bank, but  
20 it's always helpful to have those views for the staff that  
21 are not here in this room. So I also, too, would like to  
22 thank Nelson.

23           MR. CUNNINGHAM: Thank you.

24           MR. MULVANEY: Thank you.

25           MR. CUNNINGHAM: Thank you, Sean. Over to you,

1 Mr. Chairman, and then we'll see how we're doing with our  
2 screen.

3 MR. HOCHBERG: All right. Let me just take a  
4 moment before we continue on. One, I saw Carolyn walk in.  
5 I want to just do a particular shout out to Carolyn, David,  
6 and Niki. Is Niki in the room? Is she hiding? There she  
7 is. It's such a big screen. Just give them a round of --  
8 they did a job of pulling this whole meeting together. So  
9 -- and, you know, technology is always a bit of a challenge.  
10 And then the only other thing I would also mention is, not  
11 -- I don't want Pat to get all the glory, but it's also,  
12 today is Manana's birthday.

13 MS. LOUI: Happy birthday.

14 MR. HOCHBERG: Are you going to tell us which of  
15 the two of you is older?

16 MR. CUNNINGHAM: No.

17 MS. LOUI: No.

18 MR. CUNNINGHAM: No, irrelevant fact.

19 MR. HOCHBERG: So happy birthday, Manana.

20 MS. FREYRE: Thank you very much.

21 MR. HOCHBERG: And, again, happy birthday to Pat  
22 Loui.

23 MS. LOUI: Thank you.

24 MR. CUNNINGHAM: Good. We've got two of our  
25 subcommittees that are ready to give their recommendations

1 and have a brief discussion today: the Small  
2 Business-Textile and Outreach and Marketing. I think one of  
3 those also has a PowerPoint that they were hoping to use.  
4 Which one was that?

5 MR. BOYLE: Outreach.

6 MR. CUNNINGHAM: All right. So we're going to --

7 MR. BOYLE: I don't need to use it, though, if  
8 you --

9 MR. CUNNINGHAM: Well, why don't we go -- let's go  
10 ahead and do, and do Small Business and Textile first, Nancy  
11 Mercolino and John Bakane, who are our subcommittee  
12 co-chairs, and then we'll see where the gremlins have us.

13 UNIDENTIFIED SPEAKER: Everybody has a copy of  
14 those.

15 MR. HOCHBERG: Oh, they're in here? Okay.

16 MR. BAKANE: I think each one of you has a --  
17 thank you. I believe each one of you has a copy of the  
18 joint report of Small Business and Textile Subcommittee.  
19 I'm not going to go over this word by word but, basically,  
20 report that we've met several times, brainstormed the  
21 issues, came up with an approach that could be dissected  
22 into three categories -- strategic process, programs, and  
23 administrative initiatives -- that we wanted to place some  
24 input.

25 Basically, on the strategic process, we were

1 focused on how we get the message of the Ex-Im Bank out to  
2 small business, and as you can see from the report, several  
3 suggestions in terms of missionary sales teams, partnership  
4 support, and we gave some examples that were in your  
5 package. But, again, this is a labor-intensive process to  
6 reach out to small business, and we had a number of  
7 recommendations of how we might use other infrastructure to  
8 do that.

9           In regards to programs, several of our committee  
10 members came up with specifics in terms of programs, whether  
11 it's in being second-tier contractors for export business  
12 and the availability of financing. In the textile industry,  
13 most of our machinery comes from the Japanese, German, and  
14 Swiss origins, and we're looking at can we work with other  
15 Ex-Im Banks across the globe to facilitate financing.

16           And then if you move over to the administrative  
17 initiatives, we talked about some of the particular problems  
18 that some of our businesses were facing. In a lot of cases,  
19 many of us are facing some issues with stale financials. We  
20 talked about how that could be remedied, and I think our  
21 experience at Frontier has been that that's improved  
22 tremendously. We talked about the approval process with the  
23 banks. And the last thing is, in the textile industry, our  
24 business is highly cyclical and we're always looking for the  
25 next downturn and would hope that the Ex-Im Bank would be

1 proactive in terms of anticipating what that might be and  
2 how you would respond. So that's an overview of our work.

3 MR. CUNNINGHAM: Thank you, John. You know, I'm  
4 looking at the two pages that your committee has put  
5 together. Under Strategic Process you put your finger on a  
6 key point, which is, the Bank's resources are limited, the  
7 Bank's capacity to put itself out in front of the small  
8 business community -- which, by the way, is full of people  
9 who are busy running their businesses and not, you know,  
10 trolling federal government websites -- and so you know, how  
11 can we put ourselves in front of those people? And you  
12 actually outline a number of existing infrastructures that  
13 are out there that might be good mechanisms for the Bank to  
14 get its message out. I wonder if you might just go through  
15 those a little bit because I think those are, those are  
16 worth some discussion.

17 MR. BAKANE: Let me ask some members of our  
18 committee. Cherod, why don't you take this Minority  
19 Business Development Agency. You brought that one to the  
20 table.

21 MR. WEBBER: Sure. Minority Business Development  
22 Agency is an outstanding organization in terms of doing much  
23 of the groundwork to reach out to minority-owned businesses.  
24 Actually, I consult with them for strategic business  
25 planning. I actually met with David Hinson and Candace

1 Jackson, and they said they are eager to work with you all,  
2 with Ex-Im Bank, and I think they may have something in  
3 place already in terms of groundwork, but that will be an  
4 outstanding method to reach out to these minority  
5 businesses, women-owned businesses, ethically minority-owned  
6 businesses, veteran-owned businesses. They have excellent  
7 products, and we need a way to access these foreign markets,  
8 and we need a way access the Ex-Im financial tools.

9 MR. BAKANE: Thank you. In regards to the NCTO,  
10 that is the textile organization that has grown to  
11 incorporate apparel here and other textile-related  
12 organizations over the last year, and we had an annual  
13 meeting last April. And Walt took a team to that meeting,  
14 and it went into great detail in terms of the programs, and  
15 again, this is the first step in terms of getting Ex-Im out  
16 in front of all those folks, in terms of our industry.

17 Community development I mentioned this morning. I  
18 chair the Greensboro Community Foundation. We have  
19 initiatives in terms of trying to grow business, the city  
20 has initiatives under economic development, and if we can  
21 just use those folks to bring the message to those folks on  
22 the ground, I think we'd get a big bang for our dollar.

23 Nancy, in terms of trade shows and any of that  
24 outreach.

25 MS. MERCOLINO: One of the suggestions relating to

1 that is, for example, our company will advertise and that  
2 advertisement will go to, let's say, 200,000 architects in  
3 one shot as opposed to maybe -- you know, just the smaller  
4 venues, you know, will reach 50 people or 100 people, which  
5 is good, but the advertising campaigns can reach industries.  
6 And then the industries come together for their convention,  
7 and then there could be, you know, a booth there, you know,  
8 things like that where you're hitting masses and masses of  
9 people. That was kind of where that influence came from.

10 MR. BAKANE: Thanks, Nancy. And then when we talk  
11 about educating banks and getting the message out through  
12 banks, I think Mike Boyle, you mentioned that this morning,  
13 as well, and will probably cover that in your presentation.

14 MR. BOYLE: Yes, sir.

15 MR. BAKANE: And so that's just a survey of some  
16 of the ways we thought we could get the message out, using  
17 additional infrastructure in place.

18 MR. HOCHBERG: Yes. John, what do you mean by --  
19 oh, sorry. John, what did you mean by working with other  
20 export credit agencies around the world when they're  
21 exporting -- when you're buying their equipment to use here?

22 MR. BAKANE: We have looked at getting longer-term  
23 credits from the manufacturers of Swiss, German, and  
24 Japanese equipment, and basically, the Ex-Im Banks there  
25 are, are not aggressive; we haven't gotten any better terms



1 than through our U.S. banks. We're also seeing -- and it is  
2 a concern to me -- that the Chinese equivalent of the Ex-Im  
3 Bank is looking at lending to several Chinese companies to  
4 put bricks and mortar and machinery in the United States on  
5 favorable terms, and I can't figure out yet how to use our  
6 Ex-Im business, because the product is going back into  
7 China, but to, I'm going to say, maintain the U.S. market  
8 share and under U.S. control.

9 MR. HOCHBERG: Okay. I think your idea -- and I  
10 was going to say, Annette and I've talked about this before,  
11 and that is, is there a way to reduce our coverage and rely  
12 more on, like, the 70 percent solution you talk about on  
13 the, on administrative -- I think that's a very, I think  
14 that is something we need to look at.

15 MR. CUNNINGHAM: Yes. Good. John or Nancy or any  
16 other members of the subcommittee, anything further?

17 MS. MERCOLINO: Oh.

18 MR. CUNNINGHAM: Nancy.

19 MS. MERCOLINO: One more point on the programs,  
20 the second-tier supplier. I think Ex-Im deserves the  
21 credit, which would be nice to understand, the second-tier  
22 jobs created. I think everyone uses a second-tier  
23 supplier --

24 MR. BAKANE: Absolutely.

25 MS. MERCOLINO: -- that is on the Board, and the

1 enormity of how many jobs are created are not actually  
2 acknowledged so far, and we encourage Ex-Im to do that.  
3 It's got to be 200 times. I don't know. It's phenomenal  
4 what the second-tier --

5 MR. BAKANE: Yes.

6 MS. MERCOLINO: -- growth is happening because of  
7 Ex-Im --

8 MR. BAKANE: That's a good point.

9 MS. MERCOLINO: -- and to go so far as to open up,  
10 you know, financing to the second tier.

11 MR. CUNNINGHAM: Well, thanks, thanks to both of  
12 you. It looks to me as though we may be almost ready for  
13 our screens to go. So why don't we start with Mike Boyle  
14 because he's got, he's got a printed out presentation for  
15 us. So we can all start with that until we're able to  
16 follow on the screen.

17 MR. BOYLE: Thank you.

18 MR. CUNNINGHAM: And this is our subcommittee on  
19 marketing and outreach, which, as you can see, has a natural  
20 tie with the Small -- with the work of the Small Business  
21 Committee and really reflects both the Bank's and this  
22 subcommittee's -- and this committee's focus on trying to  
23 get the good word out on Ex-Im into the business community  
24 that can use them. So, Mike, over to you.

25 MR. BOYLE: Thank you, Nelson, and thank you,

1 Mr. Chairman and all the members of this committee for  
2 allowing me to serve and to bring this incredibly verbose  
3 document to the table. I sent it in two days ago, and  
4 Stephanie told me that the chairman wants it in three words  
5 on three pages, and I almost died. Those of you who know me  
6 know me, I -- know I have a lot to say, usually, about a lot  
7 of things and that's why, but I'm going to, I'm going to rip  
8 through this pretty quickly.

9           The first several pages of the document are  
10 basically related to what we were charged to do as the  
11 subcommittee on public engagement. It was a focus on  
12 raising awareness in the business community about Ex-Im's  
13 products. We'll think through long-lasting partnerships as  
14 reach outlet strategies in the goal of helping better get  
15 the word out.

16           You have a list of the members of the committee  
17 who, I would tell you, were very, subcommittee, were very  
18 active and supportive of my efforts in this. We had  
19 multiple discussions with people. We actually took time out  
20 to interview and meet with legislators and other banks at  
21 the top levels and intermediate levels and small levels. We  
22 met with other business leaders, both in small and large  
23 businesses, to ask them what they thought and what they  
24 thought of the direction of the Bank. And we'd like to  
25 thank the support of the Bank itself for helping open doors

1 and showing us the right direction to go to focus this,  
2 especially Stephanie and others, Scott Schloegel for  
3 bringing other members of the Bank's staff together to work  
4 with us and give us information that we weren't necessarily  
5 originally aware of.

6           There's an overview of the Bank's current outreach  
7 methods: global access, which is moving along quite  
8 dramatically and forthrightly, a congressional map webinar,  
9 and sales business portal. If you look on the website, the  
10 website development is extraordinary improved over the past  
11 few years -- I don't know how to work that thing, so -- oh,  
12 that's it? I push a button? Oh, I can --

13           MR. CUNNINGHAM: There we go.

14           MR. BOYLE: -- I can do that.

15           MR. CUNNINGHAM: Yes.

16           MR. HOCHBERG: But you start up power plants.

17           MR. BOYLE: Well, not personally, no, not anymore.  
18 I mean, that was back when I was a small business guy -- all  
19 of which, I'll tell you, is moving with extraordinary speed  
20 and unique capacity to try to reach out to the people that  
21 are doing business with the Bank. The complexity of it  
22 sometimes looks challenging. The depth of it is a bit  
23 sometimes tedious, and we continue to comment and report on  
24 that.

25           The -- probably the most premiere thing from our

1 perspective that was seen recently is the VP and customer  
2 experience, diving into the relationship with the Bank, and  
3 obviously, the chairman's direct interface in bringing the  
4 voice of the customers inside the Bank has been  
5 extraordinary over the last few years, so much so that it's  
6 the reason I personally serve with this committee, is I have  
7 yet to see any other facet of, either in business or in  
8 government, that has cared enough about what I do to ask the  
9 questions that are necessary on how they can do a better job  
10 for me and, in point of fact, make those things work.

11           The market tools and fliers are stronger and  
12 better and more direct. The information contained directs  
13 us back to the website, and everything in that respect looks  
14 very tidy and very -- and moving in the right direction.

15           Business development is continually moving. I've  
16 had some success recently with people asking me how to do  
17 more business with the Bank. We've pushed them over to  
18 various --

19           MR. CUNNINGHAM: Yes.

20           MR. BOYLE: -- sources, thank you, who have  
21 responded in an extremely timely manner. So the Bank is  
22 quick and entrepreneurial in that respect and will jump to  
23 the aid of people wanting to do business with the Bank on  
24 various levels. I find that to be very good.

25           The listening roundtables, which I, I actually

1 first met Chairman Hochberg at, with Senator Jeanne Shaheen  
2 of New Hampshire, was -- is an incredible way to make a  
3 personal interface with the Bank. I continue to support the  
4 further development of that, and I think that's a very, very  
5 effective means. However, the numbers on that need to be  
6 driven to higher rates and that needs to be an interface  
7 with the local banking community to push those people into  
8 those. More people need to be at the chairman's meetings.  
9 He's charming and is fun to talk to. So --

10 MR. HOCHBERG: And Pat and Sean do a lot of that  
11 as well, spread it around.

12 MR. BOYLE: Obviously, getting the word out is not  
13 the goal. It's getting the right word out, seems to be more  
14 important. What we found dramatically in surveying a lot of  
15 people is the myths still exist about the Bank.

16 Obviously, we need to meet the goals and  
17 objectives of the President and the NEI. We strongly take  
18 that very seriously, and the creation of jobs in the United  
19 States through exporting is growing, and we want to continue  
20 to support that. We need to reach more small businesses in  
21 support of jobs. NEI, which I think is, to be honest with  
22 you, I think is overlooked by the small business community.  
23 I don't think the word funnels down to them enough that this  
24 is a national imperative directive that -- and it's good for  
25 our patriotic responsibilities.

1           We obviously want to understand the concerns of  
2 the customers to better improve the Bank's products and  
3 services. We needed to reach legislators and staff to  
4 ensure that they support the reauthorization of the Bank and  
5 they work with their constituency to continue to drive more  
6 people to the Bank and thereby increase jobs and increase  
7 exporting; the support of the work of the brokers and the  
8 supporting banks, with the correct customer-centric  
9 information and innovative ways.

10           What we found through some of the discussions with  
11 banks like -- and I don't want to leave anybody out -- but  
12 Bank of America and TD Bank was that there was a strong  
13 desire and initiative to continue and grow the relationship  
14 with the banks at that level; however, the smaller banks  
15 seem to still be out of the loop a little bit. We want to  
16 do more to press those guys into service, get the right word  
17 out through economic development research and through the  
18 Bank's direct relationship with them. So those are very,  
19 very important issues.

20           As I said, members of the committee met with  
21 banking, senior banking officials during the annual meeting.  
22 We've subsequently met with senior staff at, at Senator  
23 Jeanne Shaheen, the senior senator of New Hampshire. I  
24 happened to talk to her office because of my relationship to  
25 her in the state. Recently we met with Regional Economic

1 Development teams, and Mary Andringa, who served on the  
2 committee, met with Wells Fargo senior banking staff, and  
3 all put comments in, and it was a similar path through all  
4 of them. They all seemed to be having approximately the  
5 same issues and same discussions. So --

6 We found that there was a consistency across the  
7 board, and the biggest issues are myths discussed with the  
8 subcommittee where the content issue precludes businesses  
9 from approaching the Bank. This is not to say that the,  
10 that the content --

11 MR. CUNNINGHAM: Could you describe the content  
12 issue just for those who are here?

13 MR. BOYLE: Currently the content issue is a  
14 requirement of the Bank to support exports of goods and  
15 services that contain a percentage of, a larger percentage  
16 of U.S. goods and services in their, in their deal  
17 structure. I think the key is 85 percent for those projects  
18 over two years and 50 percent for two years and under.

19 I want to make it clear that we did not make any  
20 issuances about the content or its usefulness or its  
21 divisiveness in creating jobs or lack of. What we -- all I  
22 bring forward is that the issue of content, whether it is  
23 true, truly explained or completely understood by everyone  
24 outside the Bank, is a constant first point of issue for  
25 everybody that's out there, even if I don't think that they



1 understand what it means. So --

2           The Ex-Im Bank is for exporters of products and  
3 not as much for services. There's a tremendous, even at the  
4 banking levels, at senior banking levels there was still a  
5 preponderance of belief that services were not getting as  
6 much support as they should.

7           The approval process and approval burden is too  
8 great for small businesses. Internally, having the work of  
9 the subcommittee, I happen to know that -- the Advisory  
10 Committee -- I happen to know that this process has grown  
11 dramatically and has gotten very, very much better, but the  
12 word is not getting out there. Most every small business  
13 wanted to know if they could bank with Ex-Im Bank and where  
14 they could deposit and how they could work directly with the  
15 bank.

16           MR. HOCHBERG: And get a toaster.

17           MR. CUNNINGHAM: Yes.

18           MR. BOYLE: Well, as long as it's a good American  
19 -- if it's a good American toaster with a supply chain made  
20 here in the United States.

21           I don't need the Bank to support the work I'm  
22 doing overseas; there's no benefit to us. There is a lot of  
23 value in American products and services and creative ways of  
24 financing, and each of them, when I talked to them about  
25 credit protection and credit insurance, the people that

1 boast about it the most had no idea that it existed.

2           To many people, they're still unsure the means to  
3 use the Bank, how to contact the Bank, and how the Bank  
4 works with the local banks. There's still a great deal of  
5 confusion there. Far too many variables still exist in how  
6 the Bank works. It's a very complex, at least from a small  
7 business perspective, landscape when you first approach the  
8 Bank.

9           Cost is a huge misconception as it relates to the  
10 value of working with the Bank. Believe it or not, your  
11 brokers and your supporting vendors are telling people that  
12 it's expensive to work with the Bank. I don't necessarily  
13 believe that's true in terms of its relationship to the  
14 value it could create by exporting, but that needs to be  
15 looked at and expressed. And the Bank is not a brand name  
16 of success in the U.S. business community.

17           The direct point of contacts are well-known -- go  
18 ahead, sir.

19           MR. CUNNINGHAM: Mike, could you go over that last  
20 point, because, you know, we do hear -- obviously there are  
21 a lot of businesses, big and small, that support the Bank,  
22 and I'm just wondering what you mean by that.

23           MR. BOYLE: All right. Let me make sure that I  
24 made that clear, the Bank is not a brand name of success.  
25 It's not that it's not a brand name of success. It's not

1 that it's not a brand name of usability in the market space  
2 at all. Its brand is almost non-existent. It's well  
3 hidden. Those of us who use the brand know that the brand  
4 is solid, sound, and very, very vital and important. So  
5 let's make sure that that's clear, that it --

6 MS. LOUI: Awareness.

7 MR. BOYLE: -- it's awareness --

8 MR. CUNNINGHAM: Yes, awareness.

9 MR. BOYLE: -- and everything I'm going to talk  
10 about, going forward, is going to come back to awareness.

11 Obviously, when we looked at this, we looked at  
12 how we get new customers in the Bank, how to get the supply  
13 chain the right information, how do we keep the customers we  
14 already have, how do we invent new products and services by  
15 bringing the information to the Bank, how do we incentivize  
16 U.S. companies to look at exporting and services, how do we  
17 help the banks broker and align with strategic alliance  
18 partners, and what do the legislators need from us to engage  
19 the clients and promote export and import finance -- which I  
20 don't think they're doing a good enough job of; obviously,  
21 their hands are full with a lot of other things, like  
22 running the country, but still, we'd like them to focus on  
23 this -- what do our customers need to be in the face of  
24 global market technological innovation -- there need us to  
25 be, excuse me -- where obviously innovation in the American

1 landscape in its entrepreneurial base is innovating markets  
2 that have never existed 20 years ago. I would point to  
3 Facebook and places like that that are transcending  
4 boundaries over the Internet. So new business models are  
5 necessary to support that. Can Ex-Im play a role in  
6 revitalizing American manufacturing for export, is a big  
7 question we were asking, and does content percent play a  
8 role in customer engagement.

9 I didn't want to, I didn't want to focus on the  
10 content as much while we were out there. We just wanted to  
11 listen and see what they thought of it. So, again, I will  
12 reiterate, there is no, there is no determination by the  
13 market to tell us what we need to do to do more business.  
14 So they just think it's -- it needs an issue of  
15 clarification.

16 So under Ex-Im and the U.S. Government, basically,  
17 the specific job information needs to get out to the  
18 legislators. We need to keep continuously putting in their  
19 hands how exporting is driving job growth in their regional  
20 areas. They're not looking at, as much as I'd like them to,  
21 they were not looking at the website data in terms of direct  
22 relationship, and they would like more direct mailings and  
23 press releases into their areas from the Bank on every  
24 transaction that goes forward. That was an idea that they  
25 brought to me.

1           All of them are aware of the Bank, all of them  
2 support the Bank, all of them had good things to say about  
3 it, but they wanted to do -- they wanted to see more and  
4 directly respond to deals that were happening in their  
5 areas, and they wanted to be able to reach out.

6           Changes to the funds and use of the Bank may  
7 require application of the Bank. This one we talked about  
8 was actually changing some of what the Bank's charter is,  
9 and we talked about this a little bit, to extend the ability  
10 to have the Bank address issues with Congress, and the other  
11 authorization parties to question whether or not it can do  
12 new things in new markets, one of which we found was that  
13 Ex-Im might extend credit risk to the USA. Currently it  
14 only extends credit risk coverage insurance to the  
15 exporters, to export deals. Small business and middle  
16 market might enjoy having a one-stop shop if that were  
17 possible to be achieved.

18           Adjusting credit risk insurance fees to stay in  
19 market. From what I understand, which it just simply amazes  
20 me, is that -- Mr. Chairman has often referred to me that  
21 he's continuously sending checks back to the Treasury, yet  
22 we can't find the money to spend on the things that we want  
23 to do, on the initiatives that we have, and I don't  
24 understand that process, but I'll trust in his judgment that  
25 he is doing everything in his power to get that done. But

1 adjusting the credit risk insurance to stay competitive is,  
2 would maybe help us, instead of losing business to private  
3 insurers that are going off, which would drive the stream  
4 through.

5           Thoroughly exercise the content review and the  
6 deal structure, especially as it relates to new technology.  
7 Lower the content ratio for Ex-Im to zero if the results of  
8 the analysis show a strong gain for labor and jobs. This  
9 was a discussion point, not a -- this is, please, not an  
10 idea. This was just a discussion point, but again, it was  
11 always reiterated, only if it's absolutely proven that it  
12 helps everybody, not just one simple group.

13           Advertise nationally and internationally the  
14 services and benefits of the Ex-Im Bank -- this is going to  
15 become the key focus of my discussion -- less emphasis on  
16 the reliance of Commerce in getting the word out. A lot of  
17 people that we talked to, especially in the middle-market  
18 business, were not satisfied with the direct actionable  
19 issuances that they were getting from Commerce. The strong  
20 relationship seems to be more top level in market  
21 information rather than actually getting the work  
22 accomplished, and small business needs help in doing, not  
23 thinking, often. They're ready to act and that was really  
24 all that meant there.

25           The Ex-Im direct employee and the vendors, deal

1 consulting support needs to be available to bankers, the  
2 business leaders who do not know how to think about it.  
3 It's a problem in trying to find out how to manipulate in  
4 unsophisticated customers, how to manipulate and provide  
5 export financing. It's new to them, and most of them don't  
6 even have sophisticated CFOs who have ever done export  
7 finance before. So there's some sort of training mechanism,  
8 teaching element that needs to go into the Bank's outreach.

9           Work cooperatively for money in local  
10 representatives. The economic research areas -- the  
11 economic resource departments in the local state areas are  
12 way underfunded, begging for new help, and if the Bank could  
13 be supportive in helping drive funds to them, that would be  
14 good.

15           Post more work of the customer experience with VP  
16 on social media. VP, the experience with VP is a strong  
17 advocate for this -- is looked on as a really, a big, big  
18 move forward, but the problem is, is we need to know what  
19 she's working on and what results she's gaining and what  
20 she's hearing on a more public basis, directly -- and  
21 directly on customer experience output, how people got  
22 things done and how they enjoyed working with the Bank. All  
23 of that needs to continue. We talked about social media  
24 involvement in that, but if we're not getting the people to  
25 look at social media, we're not, in terms of the website

1 development, we're not going to get a lot of discussion on  
2 Facebook and Twitter. So --

3           And the other thing we -- there's deal metrics and  
4 key factors capturing unique deal structure in how we found  
5 the Ex-Im Bank. That seems to be a key component of where  
6 the people are coming from, and initial first point of  
7 contacts seems to be rather ambiguous. So everybody's  
8 coming in from different angles, why they're coming in from  
9 different angles, and we need those metrics to be able to  
10 analyze data and put the resources best forward in those  
11 areas, and it's all ambiguous, and we'd like to see more of  
12 that.

13           The VP should get critical information and  
14 critiques through to the Bank partners quickly. Issues or  
15 problems in the customer relationship need to get back out  
16 to the problem generators quickly. I've had people contact  
17 me to ask if I could help out, instead of calling the Bank  
18 directly; and in point of fact, every time we passed it on,  
19 they were -- help was had. So that was a good thing.

20           More business people instead of bankers. To the  
21 bankers that are out there, I apologize, but we'd like more  
22 business people on your staff and more customer banker  
23 one-on-one roundtables at the deeper levels of the Bank,  
24 along with the chairman.

25           I'm taking a lot longer than this, and I -- the



1 larger banks and the midsize banks were in agreement that  
2 advertising nationally and advertising locally to support  
3 Bank, which included tombstones for the deals constructed,  
4 they'd like to see those in the papers. They were very  
5 adamant about the ability of the good work they were doing  
6 in support of the Ex-Im Bank, advertising locally in the  
7 papers where they're trying to develop new customer bases.

8           As part of the talk about cost, the  
9 cost-to-deal-size ratios need to be kind of examined by the  
10 Bank and, I think, monitored by the Bank to ensure that  
11 costs are not running away on the outside of the Bank  
12 through the brokers and its banking relationships; that  
13 legal costs to midsize and small businesses aren't getting  
14 -- aren't inflating to a point that they're really actually  
15 detrimental to the users.

16           Public announcements, corporate press  
17 announcements, and again, each bank we talked to said lower  
18 content. They didn't really know why. They just said that  
19 that was the major concern that they were getting from  
20 everybody. Increase the deal approval and review periods,  
21 or decrease, I should say, the deal approval; reduce the  
22 paperwork and burden; and, of course, lower the cost -- on  
23 every single solitary one.

24           Follow the clients. One of the things that we saw  
25 was that we hear an awful lot about the clients, and we'd

1 like to know more about the ones that were doing business  
2 with us 10 years ago: where are they now, are they still  
3 doing business with the Bank, are they still, are they still  
4 successful, are they still exporting, do they need the Bank  
5 anymore. We'd needed some information on that. That, out  
6 to the community, could be very helpful to say that the Bank  
7 stays with them for a longer period of time.

8           Client-client network and mentoring, which kind of  
9 goes along with the small business outreach, small business  
10 program. There's a big belief that people like myself and  
11 other people would work eagerly to mentor new customers that  
12 had questions about how to do things with the Bank.  
13 Recently I talked to the state Economic Research Development  
14 Council in New Hampshire and offered myself to be available  
15 for an open discussion that I would host and/or pay for, if  
16 necessary, and I have still, to this day, not heard back  
17 from them. So --

18           Reward and/or incentivize volunteers. I don't  
19 know if you're even allowed to do that, but as people do  
20 new, you know, do things and bring new customers in, perhaps  
21 we could get lower interest rates.

22           Content training for small businesses. We need to  
23 get rid of the problem, the idea of content being a problem,  
24 and we need to be able to actually tell people, help people  
25 figure out -- again, this goes to training and learning.

1 So --

2           Each of these things are on the targets of the  
3 subcommittee. I will tell you, I found that the Bank is  
4 actually working on all of them. So I wanted to, I wanted  
5 to impress that in each of these phases -- attending more  
6 industry trade shows, host clients and customers, they're  
7 already doing that; social media, notice on deals, they're  
8 experimenting and driving that further and further; client  
9 advisory committees on website content, website should be  
10 for clients by clients and not for clients by bankers. A  
11 lot of that is already happening. The voice is coming  
12 inside the business. Content training, again, create client  
13 comment, network social media, start to help create  
14 alliances and resources, bring the clients onto the social  
15 media website; local existing customer mentoring and reduce  
16 the complexity of the website.

17           In summation, the Bank is definitely  
18 customer-centric from small business to large business.  
19 Ex-Im is making strategic decisions around better customer  
20 value and relationship experiences, continually tweaking and  
21 upgrading services to meet the demands of a diverse client  
22 base. These are very, very positive things that the Bank  
23 has, going forward. I can tell you from a user for many  
24 years now that there are much more user product friendly  
25 services and the way that they're being tweaked to be more

1 supportive for small business and large business is getting  
2 better.

3           The key crux to everything that we found is that  
4 the Ex-Im Bank does not advertise or market itself well  
5 enough. This is the strongest critique that we can put  
6 forward. Two years ago, when I joined work, started working  
7 with the chairman and subsequently this committee, I made  
8 the statement that this is the best kept secret in  
9 government, and to this day, it still remains to be the best  
10 kept secret in government. Everybody that knows about the  
11 Bank knows how good it is. Everybody that doesn't know  
12 about the Bank doesn't know what it is. So we've got to do  
13 something about that. I got on the chairman today about  
14 going into advertising. I think we need to find and get  
15 permission to put a national ad campaign on the strength of  
16 job creation of exporting and the role of the government to  
17 support that.

18           Continually review the product offering, support  
19 the variable client needs in a changing global market --  
20 it's doing a great job. Modern products and service  
21 innovation is rapidly innovating. We think it's still doing  
22 a very, very good job, but the word is not getting out.

23           The Bank continues to consider offering; it  
24 produces the cost of the services, the employee engagement  
25 and the training they receive in their customer experience,

1 with innovative and entrepreneurialism. This bank is  
2 incredible in trying to make the U.S. market exporters have  
3 every facility to it to do what it needs to do overseas in  
4 export finance, and it is a crime that people don't know  
5 that that's happening.

6           The Bank cares about the people it does business  
7 with. The Bank is listening to business to build a unique  
8 service offering in the face of very challenging global  
9 competition and from other sovereign finance competitors and  
10 remains the ideal and global sovereign export finance. And  
11 the Ex-Im Bank and its employees are on mission and vision.  
12 That's a strong compliment.

13           The single biggest thing that we took out of this  
14 is that disinformation, misinformation still exists  
15 throughout the Bank and the Bank isn't marketing itself.  
16 Resources need to be drafted to support the chairman, to  
17 have him freed up to be able to do that. That was the only  
18 major contribution the Outreach Committee could come to a  
19 conclusion on. I'd like to thank all the people that helped  
20 me put that together.

21           MR. CUNNINGHAM: Well, thanks, Mike, and that was,  
22 as you say, you backed up your PowerPoint with a flood of  
23 information and work, and it looks as though -- as former  
24 Governor Greg Warren, former Administrator Browner know, it  
25 takes a lot to do the kind of stakeholder outreach that

1 you've done here. It takes a lot of work to sort of reach  
2 out as broadly into the various communities as you did, and  
3 it's obvious that you and your colleagues put a tremendous  
4 amount of time in on this.

5 I wonder if either Mary Andringa or Celeste Drake  
6 or Mark Fallon, your members, or Cherod Webber or John  
7 Bakane, who volunteered, even though not formally on this  
8 subcommittee but who offered their services, have anything  
9 you'd care to add to that. Celeste.

10 MS. DRAKE: I just want to add -- you know, thanks  
11 to Michael. He was really an enthusiastic chairperson and  
12 really did, you know, the bulk of the work and the outreach,  
13 and I think, I think that's great. And the only thing that  
14 I would really add is in terms of, if this is going to be,  
15 you know, in writing, in the records of the Bank, just to  
16 make clear that on those points regarding content, that it's  
17 clear, not just in the oral comments, but that that is  
18 something that, you know, we recognize was continually being  
19 brought up by the customers, by the brokers, et cetera, but  
20 isn't, you know, a consensus recommendation of the  
21 committee, just so that nobody reviewing this would be  
22 unclear that it was a comment that was given to the  
23 committee rather than a recommendation of the committee and  
24 that's the only, the only thing.

25 And the one, one of the recommendations I want to

1 particularly emphasize -- and I'm sure Scott is already  
2 working on this -- but to make sure that members of Congress  
3 really do have those numbers for the jobs created in their  
4 districts, because it really will make a difference come  
5 time to reauthorize the Bank. If they've got those numbers  
6 on hand, it'd make it a lot harder for them not to be strong  
7 supporters when they've got the proof of jobs created for  
8 their constituents. So --

9 MR. CUNNINGHAM: Thank you.

10 MR. BOYLE: Chairman Hochberg, for one second, I  
11 would reiterate that I concur with Celeste that none of the  
12 statements made about content were to support any sort of  
13 for or against in any way. The way I did write it up would  
14 seem ambiguous to that statement, and I want to make it  
15 clear that all it was, was that, that the content issue was  
16 a driver to all of the relationships you have.

17 MR. CUNNINGHAM: Mary.

18 MS. ANDRINGA: I also want to thank Michael for  
19 being a very enthusiastic chair of our committee. So thank  
20 you very much. And I also want to say thanks to all the  
21 Bank members who are here for listening, listening to  
22 business. I think Michael brought that up a lot in this  
23 report and that's, that's really true. And I also want to  
24 say thanks for listening to us and really addressing the  
25 virtual myths and the concerns that were brought up and were

1 found.

2           And then I would just like to -- actually, I only  
3 have a couple of comments, and they really support  
4 everything Michael said but kind of dovetails with the  
5 report to small business on the partnerships and what other  
6 partnerships need to be out there. And being part of the  
7 National Association of Manufacturers, we have 12,000  
8 members. Eight to 9,000 are small- or medium-size business,  
9 and two years ago the chairman was gracious enough to  
10 address the board meeting, and he did a phenomenal job. We  
11 have, manufacturing daily, almost always put -- every, every  
12 week you'll see something about exports and Ex-Im, but the  
13 thing that I have found -- and I'm a former teacher, so I  
14 always think about how do you get into people's heads. You  
15 have to do it often, often, often.

16           MR. CUNNINGHAM: Right.

17           MS. ANDRINGA: So we need to not just hit these  
18 partnerships once; we need to sort of keep going back and  
19 maybe in new and novel ways, which is part of our, I think  
20 our customer relationship group. But I, again, with  
21 manufacturers, I think, being about two-thirds of what we  
22 export, I do think that's a good group to stay in front of.  
23 And I would just really suggest even maybe we get a little  
24 bit more focused on where do we have the most opportunity  
25 for exports and we're not getting as much as we should,



1 because you just mentioned about doubling in New Mexico, I  
2 think, and Virginia. What other states, like I know Indiana  
3 and Iowa are both -- a big percentage of our gross state  
4 product is manufacturing. Are we getting enough there?

5           One other great way to just focus might be the  
6 Metropolitan Export Initiative, where metropolitan areas are  
7 really focusing on exports, and are there groups that are  
8 already getting together that we could have time with and  
9 get on their agenda, because they're very much focused on  
10 exporting more. So are we, again, communicating with all  
11 the groups that we can?

12           And then I would also just like, really reinforce  
13 working with the supporting banks, trying to dispel myths.  
14 I just think that's still a big challenge. The banks tend  
15 to throw up a lot of barriers, and we just have to keep  
16 working those angles. Training is a big part of it. I know  
17 there's been tremendous amount of training, but again, it  
18 takes a lot of times and a lot of repetition. And then,  
19 also, really support many of the references here about  
20 measurements, and I think with measurements we always have  
21 to kind of gauge our -- for instance, the pamphlets we're  
22 putting out, are they, not the number, but what's happening  
23 with those and what's the effectiveness of the pamphlets, of  
24 the social media, of the trade conferences, and where are we  
25 being most effective and what can we do more and maybe, if

1 we're not being effective, why and can we tweak it. So --  
2 but, again, thank you, and the Bank has a phenomenal story,  
3 but we just haven't had a great opportunity to get that  
4 story out.

5 MR. CUNNINGHAM: Thanks, Mary. That was, that was  
6 a great, a great discussion, and thanks for all the work  
7 that you and your subcommittee put in on that --

8 UNIDENTIFIED SPEAKER: Yes.

9 MR. CUNNINGHAM: -- Mike. This is, in my three  
10 years on the, serving on this committee --

11 MR. HOCHBERG: Very thorough.

12 MR. CUNNINGHAM: -- this has been one of the --  
13 this has been one of the continuing drivers for discussion,  
14 has been how to get the word out on the Bank, and this is  
15 extremely helpful and a lot of good and very useful  
16 suggestions, so thank you.

17 MR. HERNSTADT: Nelson, can I just --

18 MR. CUNNINGHAM: Yes, sir. Yes, Owen.

19 MR. HERNSTADT: I just wanted to emphasize two  
20 points in the report, and this is the most thorough  
21 subcommittee report I've ever seen in any Advisory  
22 Committee, so, throughout the -- yeah. Anyway, so it's an  
23 amazing work and you all are to be really congratulated.  
24 One, I want to reemphasize Celeste's point regarding  
25 content.

1           MR. CUNNINGHAM: Yes.

2           MR. HERNSTADT: The Bank has done a lot of work on  
3 content per Congress. Congress has done a lot of work on  
4 content. I think the Bank issued a fairly even report. It  
5 was very well done, you know, on that, and hopefully we can  
6 move on to what, at least, I think, Celeste and I would talk  
7 about, more substantive things the Bank can be doing, but  
8 there are two specific points. One related to that is on  
9 the training on content.

10           There has been an awful lot of misinformation  
11 spread about how content is used by the Bank,  
12 unintentionally, of course, I would assume, but -- and I  
13 think there is a lot of work that can be done on training on  
14 content. And, Mike, I know a lot of the folks you talked to  
15 mentioned content, but I dare say, probably only a handful  
16 of them really understood how content was used with the  
17 Bank, and of course, that was reemphasized at the Bank's  
18 annual conference when there was a content session with  
19 stakeholders, and it became rapidly apparent that what --  
20 folks that wanted to use the Bank, what they really wanted  
21 was some more training on how content actually works with  
22 the Bank because there is an awful lot of misinformation out  
23 there about it.

24           The second is on the jobs issue per jurisdiction,  
25 legislative jurisdiction, and that's absolutely critical.

1 And I know you do furnish that information, it's great, but  
2 as emphasized, as Celeste and others have emphasized, the  
3 more specific that information is, the better off it is.  
4 And when I say specific, I mean down to the company, down to  
5 the supplier, and I know it's very hard to get, and we  
6 talked about this in terms of the economic impact analysis,  
7 but it wouldn't hurt to be able to say what kind of job it  
8 is either so it just isn't, you know, pictured as 7,000 jobs  
9 but one could say is it 7,000 jobs in manufacturing,  
10 service, et cetera, and what are the companies that actually  
11 gain by it. I would think, you know, when we talk about  
12 justifying the Bank's existence, that would only go to give  
13 the Bank even more credence as, as issues arise.

14 MR. CUNNINGHAM: Yes, I think that's a fascinating  
15 suggestion. If the data can be collected and presented  
16 efficiently, I think that's a great idea, good.

17 MR. FALLON: Nelson --

18 MR. CUNNINGHAM: Yes, Mark.

19 MR. FALLON: -- I'd like to sort of lend my voice  
20 to sort of thanking fellow Advisory Committee members for  
21 lending their time and energy and insight to these, to these  
22 subcommittees, but might I suggest that the Bank consider  
23 whether or not there are other topics worth exploring? And  
24 one strikes me as potentially worthwhile, is the topic of  
25 risk management.

1           The chairman mentioned this morning this quarter  
2 of one percent claim rate, which is testament to the  
3 effectiveness of the risk mitigations sort of in place  
4 today, but you know, Sean talked about sort of global  
5 context. I think, also, the portfolio of transactions and  
6 projects within the Bank is changing at a rapid pace,  
7 perhaps sort of by historic trends. These are not the same  
8 kinds of manufacturing sort of deals that historically the  
9 Bank has underwritten, increasingly more infrastructure  
10 programs involving international consortia. I would only  
11 suggest that the sectors' and companies' experiences with  
12 the Advisory Committee could lend some insight from the  
13 point of view of counterparties to this risk with a shared  
14 responsibility to mitigate it on behalf of the Bank. That's  
15 all.

16           MR. CUNNINGHAM: Great. Thanks very much, Mark,  
17 and thanks, again, to the subcommittee. That was a great  
18 discussion. I think we've got time, do we, to get back to  
19 our board member Pat Loui? I think our screen is up, and we  
20 can turn to your presentation if you're ready.

21           MS. LOUI: Yes.

22           MR. CUNNINGHAM: Great. Thank you.

23           MS. LOUI: So, I'm sorry, how do we do this? Can  
24 we adjust the screen properly, please?

25           UNIDENTIFIED SPEAKER: If you hit the red button,

1 Director Loui, it'll go --

2 MS. LOUI: The red button?

3 UNIDENTIFIED SPEAKER: -- full screen.

4 MS. LOUI: Oh, okay, terrific, terrific.

5 MR. CUNNINGHAM: There we go.

6 MS. LOUI: Thank you very much.

7 UNIDENTIFIED SPEAKER: Uh-huh.

8 MS. LOUI: Thank you, again, to all the members of  
9 the Advisory Committee and especially to Nelson for your  
10 very significant contributions as chair of the Advisory,  
11 excuse me, as chair of the Advisory Committee. Thank you  
12 again to the members and to Nelson.

13 I've been on the job for the last 21 months, and  
14 it's been like drinking from a fire hose. So, first of all,  
15 I do need to thank my colleagues at Ex-Im. They are superb,  
16 committed professionals, and I have learned a great deal  
17 from them. And special thanks to Chairman Hochberg, who has  
18 really put Ex-Im on the map while serving, while doubling  
19 assets, and for the great job that he's done in his first  
20 term, and we look forward to an equally successful second  
21 term, Fred.

22 MR. HOCHBERG: Thank you.

23 MS. LOUI: So, very quickly, my board portfolio  
24 has four areas: the Asia-Pacific region, energy, the  
25 western U.S. -- did I, I counted wrong, five -- women- and

1 minority-owned small businesses, and the Audit Committee  
2 chairmanship. All of these areas are undertaken in  
3 collaboration with management, with the main role, in terms  
4 of the regional and the sectors, being on, raising Ex-Im's  
5 awareness through both domestic as well as international  
6 outreach.

7           Let me just briefly give you some -- a couple of  
8 statistics, which I think is interesting, in terms of why  
9 Asia is so important. We've talked a little bit about  
10 competitiveness. Asia in 2020 will represent 54 percent of  
11 the middle class and that will actually -- a global middle  
12 class -- and that will actually grow to two-thirds by 2030.  
13 It also is a region that in the next several years will have  
14 the highest infrastructure spending. And as you can see,  
15 the needs in Asia for infrastructure, by sector, are very  
16 well aligned with the strengths of Ex-Im in terms of the  
17 financing that we provide.

18           This is a quick look at the ASEAN portfolio growth  
19 since the start of the NEI. That is almost a 500 percent  
20 increase, and a lot of that work is attributable to the  
21 great work that is being done by our Business Development  
22 Asia manager, James Lewis, as well as the underwriting teams  
23 in all of the various sectors. It's also interesting that  
24 when we drill down on these statistics, what we find is that  
25 in 2010 and 2011 almost 99 percent of those authorizations

1 were in aircraft but in 2012 and 2013 aircraft represented  
2 approximately 80 percent of the total authorizations, and  
3 I'll get a little bit further in a minute on product  
4 diversification.

5           If we look at country share in terms of our  
6 authorizations -- and we've aggregated this because it's  
7 really been a multi-year program rather than a single-year  
8 program -- Indonesia, one of our nine target countries,  
9 represents almost 60 percent of the country's share of  
10 authorizations. Another target country, Vietnam, is still  
11 low at three percent. Singapore, as the hub for many  
12 transactions in Asia and with a very large BOC Aviation  
13 leasing company, has a disproportionate share given the size  
14 of its population. And the Philippines is about one in 10  
15 of the transactions undertaken during this period.

16           So, again, looking a little further by target  
17 country, in terms of Indonesia, we now stand at about 2  
18 billion, a little under. That's a little more than a 600  
19 percent increase in the portfolio. I love Vietnam, but it  
20 was really a very low, excuse me, starting base. As  
21 Chairman Hochberg said in Vietnam, in my, our first, my  
22 first trip overseas with him, you know, the million dollars  
23 that we had initially was so low that it really, the ROI  
24 really didn't even cover the travel expenses for us. And  
25 it's been slowgoing, but it is improving.



1 MR. CUNNINGHAM: 6,000 percent.

2 MS. LOUI: And I included China because, although  
3 that is not a target country, it is important overall to  
4 U.S. relations and our relationship with China is extremely  
5 important to the ASEAN member nations, and so there's been  
6 good growth there as well.

7 If we look at the historic trend, as I mentioned,  
8 to touch upon a little bit in terms of products, we are  
9 succeeding in diversifying our portfolio, as you can see,  
10 over the past three years. Sometimes it's slowgoing in the  
11 fire and safety area. We authorized, the Board authorized  
12 the first Tight-A transaction in fire and safety equipment  
13 to OshKosh and the Jakarta Airport, but it's now, it's now  
14 been what, almost two years trying to come up with any  
15 money. So turnaround times continue to be a challenge in  
16 many of the ASEAN member countries. However, Telecom  
17 Satellites looks like a very robust area, and I would hasten  
18 to point out, following up on Fred's comment, that SpaceX  
19 really has created a new sector in the U.S. economy. These  
20 launch services for satellites have been, not -- have been  
21 provided only by France, China, and Russia on a competitive  
22 basis in the past, but with SpaceX's entry into the  
23 marketplace, the U.S. now has a very capable and competent  
24 provider in this sector.

25 Also in terms of satellites, give you a sense of

1 how this ties back to the growing middle class, when Ray  
2 Ellis and I were in Hong Kong last May, we met Asia  
3 Broadcast Satellite which had not been an Ex-Im customer, I  
4 think, in about 25 or 30 years. They kind of quietly stood  
5 at the back of the room, and at the end of it, their general  
6 counsel came up and asked us about satellite services, and  
7 so that culminated in a transaction earlier this year.

8           Also, in terms of Indonesia, we have three  
9 forthcoming satellite procurements. One has already been  
10 awarded to Orbital of Dulles, and we look forward to  
11 receiving an application for them. The other two American  
12 products remain in the competitive set, both in terms of the  
13 satellite and the satellite launches.

14           So, as many have mentioned, we have much to do and  
15 limited resources given the constraints that Congress has  
16 placed on Ex-Im. Our biggest challenges are trying to,  
17 trying to compete against the greater resources of ECAs with  
18 turnkey solutions and staff on the ground, as well as  
19 offices and much larger budgets to handle, in a sense, to be  
20 involved from the feasibility study up until the build,  
21 operate, and transfer of PPP Solution. Second challenge is  
22 the turnaround times, as I alluded to, within many of the  
23 target countries in Asia. And, finally, there is the  
24 private-public model, which is not one that is very popular  
25 in Asia, particularly in the ASEAN countries, but less

1 popular amongst American exporters.

2           So, given that, what we've tried to do -- and,  
3 again, working closely with the Ex-Im management team --  
4 we've tried to identify opportunities where, where the  
5 policy environment will lend itself to commercial  
6 opportunities. Governments take a more active role in the  
7 procurement process in most of Asia. So, for example, in  
8 the case of ASEAN, regional policies influence the national  
9 budget allocations and the national budget allocations then  
10 drive the commercial procurement and that's where, I think,  
11 that typically, while we have been active at various stages,  
12 the emphasis has been more on the exporter and coming in  
13 once the contract has been signed. We're trying to  
14 undertake a little bit of demand pool, standing by the  
15 exporter when assistance is needed, to assure that financing  
16 can be there if the U.S. exporter is awarded the contract  
17 and intervening earlier in the purchase cycle.

18           We're also working really closely -- and our kudos  
19 and thanks to our sister agencies on Team USA because, as  
20 you know, we do not have boots on the ground in terms of  
21 staffing, and so we are heavily reliant on our colleagues  
22 from State Department and also U.S. Commerce's Foreign  
23 Commercial Service.

24           Just a quick look at some of the types of specific  
25 activities. At our conference -- some of you were there --

1 in 2012, we did a breakout session, and thank you, again,  
2 Fred, for being so supportive of this connectivity program.  
3 It was initiated in 2012. You see there Bob Hormats from  
4 State Department on the left but also the chair of the  
5 National Railways of Indonesia and also the chair of the  
6 National Power Transmission of Vietnam, neither of whom had  
7 been Ex-Im customers. Today both are. And I think it's  
8 also significant that Indonesia, we've culminated, we're the  
9 first non -- is the first major non-aircraft transaction  
10 since the recession of 1997/1998, and also GE, with Ex-Im  
11 support, made the first smart grid sale to Vietnam.

12           It is -- on the aircraft side, of course, our  
13 global exports in transportation have been very active.  
14 We've done credits or leasing to four ASEAN member countries  
15 under this Open Sky -- because of the Open Sky initiative,  
16 capacity or lift is being rapidly increased. There are more  
17 airports, but the Open Skies also includes safety and  
18 security programs, and this is where the initiative with  
19 fire trucks and safety equipment has come in.

20           Finally, I think I need to point out here that,  
21 again, you know, we're finding that the deal -- the deal  
22 turnaround times are slow. So we require perhaps more  
23 patience than in other markets, but just to give you an  
24 example, two years ago, in fact, in February of 2012, James  
25 Lewis and I met with the Indonesian power company about

1 possible projects. They came back to us about three, four  
2 months later with a list of projects. We gave it to U.S.  
3 exporters. We didn't hear from anyone. Last week PLN of  
4 Indonesia was in here with Citicorp to discuss a possible  
5 application. By the time it comes before the Board, it will  
6 probably be more than a two-year deal turnaround cycle,  
7 which is, which is long but, to the Asians, this seemed  
8 pretty quick. So we have a little difference in time  
9 perceptions.

10           Also very important, and again, I think others  
11 have alluded to this, but Ex-Im -- last year the President  
12 announced the U.S.-Asia Cooperative Energy Partnership. It  
13 was announced by President Obama at the East Asia Summit  
14 last November. We expect to close our first transaction  
15 very soon. It is in the Mekong Delta area, and I would  
16 point out that Ex-Im was there before the U.S. ASA (phonetic  
17 sp.). Actually, Fred -- our Chairman Hochberg and Ray Ellis  
18 from Business Development signed a \$1.5 billion MOU in this  
19 area with Vietnam Development Bank two years ago. So it's  
20 the first draw on both sides of the transaction.

21           We also have been active in China, and this has  
22 been led by the Trade Finance area, Jeff Abramson and Rita  
23 Murrell. The Sovereign Guarantee Loan Program, we are  
24 looking at enhancements in terms of turnaround times, terms,  
25 transparency and communications, and we have ambitious goals

1 on both sides, looking at trying to increase the SGLP  
2 transactions to 1 billion in the next two to three years  
3 versus 250 million in the past eight. And the six sectors  
4 which China has identified as having particularly high  
5 demand are energy, environment, fire safety, transportation,  
6 medical, and agricultural technology.

7           Finally, in terms of the domestic outreach front,  
8 we've been focused on two main objectives. One is trying to  
9 raise awareness with small business regarding access to  
10 capital. The second is raising awareness through trade  
11 associations. And when we -- one of the programs that we  
12 did jointly with Office of Public Engagement at the White  
13 House and the Asian-American/Pacific Islander Initiative was  
14 a roundtable for community bankers, less than 2 billion, in  
15 terms of how they can assist their customers with export  
16 financing. Cherod mentioned the MBDA. We did sign an MOU  
17 with them last year. We train them, they qualify the  
18 prospects, they send referrals to us. So that's been  
19 working well.

20           We did -- I did five gaps. I promised Fred I'm  
21 going to do six this year, you know, which is, which would  
22 be a strong increase, but I look forward to doing them. And  
23 we also did events, 30 events, outreach events in the, in --  
24 with the target markets that are identified.

25           I've also been chair of the Audit Committee. When

1 I first saw Ex-Im's historic low-lock rate, I was actually,  
2 really quite amazingly surprised at how low it is compared  
3 to other financial institutions, and I wasn't quite sure  
4 what the role with the Audit Committee would be. But I  
5 would like to thank Director Mulvaney and Manana Freyre, who  
6 was Director Walther's replacement on the Audit Committee.  
7 We have focused our effort, not on the -- less in the sense  
8 of problems, because these are not major areas, but rather  
9 working with management to manage, to help manage Ex-Im's  
10 extremely successful growth in the past few years and  
11 balancing that with good stewardship to taxpayers. And,  
12 again, this has really been, as I mentioned before, an  
13 important team effort. So I thank all of my colleagues here  
14 at Ex-Im for helping us to execute. It's been a, it's been  
15 a great couple of two years, and I look forward to more  
16 contributions to the Bank.

17 MR. CUNNINGHAM: Thank you.

18 MS. LOUI: Thank you, Nelson.

19 MR. CUNNINGHAM: Thank you. That was terrifically  
20 interesting. Comments from our committee members? Carol  
21 Browner.

22 MS. BROWNER: I didn't want to comment on that; so  
23 I'll hold for a second.

24 MR. CUNNINGHAM: Okay.

25 MS. BROWNER: It was good, but I didn't have

1 anything to add.

2 MR. CUNNINGHAM: Any discussion on Asian Pacific  
3 or the other presentations?

4 (No audible response.)

5 MR. CUNNINGHAM: Thanks so much, Pat, for doing  
6 that.

7 MR. HOCHBERG: That was great. That was very  
8 kind. Thank you.

9 MR. CUNNINGHAM: Yes, thank you, really, really  
10 terrific. Carol.

11 MS. BROWNER: Okay. So I want to make a brief  
12 comment about the Environmental Subcommittee, but I do think  
13 I'm the --

14 MR. HOCHBERG: Your mike, mike.

15 MR. CUNNINGHAM: Your mike, yes.

16 MS. BROWNER: -- now, the only thing standing  
17 between you all and lunch; so I promise to be brief. We,  
18 like the other subcommittees, have been looking at some  
19 particular questions, focusing on environment and energy  
20 investments, and we are still having that conversation and  
21 do not have a report today, in part because the President  
22 made an announcement, which the chairman, or Fred referenced  
23 earlier, about coal, about climate change, about energy and,  
24 furthermore, on Friday the EPA is likely to move forward  
25 with the first of a series of standards focused on power



1 generation and the greenhouse gas emissions associated with  
2 power generation.

3           As part of our process, we, too, have done some  
4 outreach. I was able to meet yesterday with about five  
5 representatives from various environmental groups. One of  
6 them joins us here today. We will be extending an  
7 invitation to the business community if they would like to  
8 meet with the subcommittee members. This is not an easy  
9 issue, trying to find how best to ensure that we are  
10 providing strong environmental protections in keeping with  
11 what the President is talking about, what the President is  
12 thinking, also being mindful of the Bank's focus on job  
13 creation, and we do promise to report back as, you know, we  
14 conclude our discussions today. The governor, myself, and  
15 one of our committee members, Steve Wilburn, were able to  
16 have a good conversation. Governor Richardson was not able  
17 to join, but we take seriously the charge that we've been  
18 given in terms of, you know, how do we ensure strong public  
19 health, environmental protections while we continue to  
20 support the growth of jobs.

21           MR. CUNNINGHAM: Thanks very much, Carol. I  
22 appreciate that and appreciate the work of you and your, you  
23 and your subcommittee members. We're about to break for  
24 lunch until, sorry, until, until 1:45. I would ask our  
25 subcommittee members to give some thought over lunch and

1 maybe come and talk to me, what do you think, next year what  
2 subcommittees do you think we ought to have on the Advisory  
3 Committee? We've been through this. We -- Chairman  
4 Hochberg and I, came up with these subcommittees last year.  
5 What do we think would be useful to be looking at, for next  
6 year's committee to be looking at and to be focusing on in  
7 terms of issues? Think about it, let us know, I'd welcome  
8 your input, and we'll see everybody back here at 1:45.

9 Thank you very much.

10 MR. HOCHBERG: 1:30. Let's say 1:30, yes, 1:30.

11 MR. CUNNINGHAM: Sorry, 1:30. 1:30 we'll be back.  
12 Thank you.

13 (Whereupon, a luncheon recess was taken.)

14 MR. CUNNINGHAM: If I can ask everyone to go ahead  
15 and find their seats, we'll go ahead and, and begin. We had  
16 a good discussion over lunch about some of the new  
17 subcommittees and how we might tweak this year's  
18 subcommittees for next year, and keep those ideas coming,  
19 and I look forward to some further thoughts on that. We  
20 have a very special guest here today who we're very  
21 fortunate to have by taking him, pulling him away from his  
22 office to come and speak to us, and to introduce him, I will  
23 turn it over to Fred Hochberg.

24 MR. HOCHBERG: For our Advisory Committee and for  
25 staff that's here, Brian Deese I met, goodness, back, I

1 think it's either '08 or before. I've lost track when we  
2 first --

3 MR. DEESE: Maybe '07.

4 MR. HOCHBERG: I think maybe '07. '07 we sort of  
5 -- and I think, actually, Brian has one of the totally best  
6 jobs in government. In the Office of Management and Budget,  
7 there's two sides: there's the management side that deals  
8 with performance metrics and procurement and regulatory  
9 side, and there's the budget side, which is the entire  
10 management of the federal budget from the executive branch,  
11 and Brian was recently confirmed for that, great supporter  
12 of Ex-Im Bank and is going to be, is pivotal in terms of the  
13 budget negotiations that will go on with Congress and  
14 finding a way that we both -- find the balance between  
15 disciplining our overall debt levels and, at the same time,  
16 growing our economy -- not a simple task at all. And he has  
17 been at the White House from the very start, and we like the  
18 fact the New Republic included him on its list of  
19 Washington's Most Powerful and Least Famous People.

20 MR. DEESE: They got half of it right.

21 MR. HOCHBERG: So maybe we'll, you know, he'll be  
22 a smidgen more famous, at least in this room, as a result of  
23 coming here today. So I'm going to open up -- Brian said to  
24 me he'd like to be brief so he can make this more of a  
25 conversation, and we're going to turn it over to Brian

1 Deese.

2 MR. DEESE: Good. Yes, I was saying to Fred that  
3 I'll try to be really brief because I'm mostly interested in  
4 your questions and using this time the way that you guys  
5 want to best. It's great to be here. I've had, I think, a  
6 couple of opportunities to come over and speak with  
7 different constituents, Ex-Im constituencies, particularly  
8 good to be here with old colleagues and old friends. I  
9 don't know if Fred remembers, but I was actually -- Fred was  
10 technically my boss for a short period 11 or 12 years ago  
11 because --

12 UNIDENTIFIED SPEAKER: How old were you? 10?

13 MS. BROWNER: Yes. Yes. We --

14 MR. DEESE: I was one of the first occupants of  
15 the brand-new, at the time, brand-new beautiful IIE building  
16 back when --

17 MR. BERGSTEN: Right.

18 MR. DEESE: -- this was when the Center for Global  
19 Development and the Institute for International Economics  
20 were, had a partnership right at the beginning of the  
21 creation of Center for Global Development. So I'm --

22 MR. BERGSTEN: Right.

23 MR. DEESE: -- getting to work closely with Carol  
24 and Fred and others in the Administration.

25 MR. BERGSTEN: I'll take credit, I'll take full

1 credit for it.

2 MR. DEESE: That's a dangerous thing to do. So,  
3 again, I'll be very brief on the front end. I really would  
4 love to have a conversation, again, from you all here, both  
5 what your senses of where things are in the economy, the  
6 global economy, the American economy but also, you know, in  
7 terms of the budget situation, anything that, any questions  
8 you guys have or context you could have.

9 I would just say this: You know, the first  
10 project that I had when I came into the Administration was  
11 working on the restructuring of General Motors and Chrysler  
12 and that was basically my full-time job for about six months  
13 -- not what I expected, not what the country expected, but  
14 one of the things that that left me with was a deep sense of  
15 the importance of the, of the domestic manufacturing base to  
16 this country's overall economic vitality and also an  
17 importance for all of us, when we think about economic  
18 policy, in focusing on what economists refer to as backward  
19 linkages and the fact that in front of every large company  
20 or large OEM there are tiers of suppliers and smaller  
21 companies that really represent the lifeblood of any  
22 industry. And those are, those are, those are lessons that  
23 I always take into, thinking about the Ex-Im context,  
24 because what the Ex-Im is able to do, in addition to being  
25 an important role in leveling the playing field globally for

1 American businesses, is to really lift up the entire supply  
2 chain in lots of domestic industries, both through direct  
3 support to large industrial players in this country but also  
4 the work that you all do with, with smaller businesses as  
5 well.

6 I think it's vitally important, as somebody who  
7 now works at OMB, the budget office, and is often looking at  
8 difficult trade-offs, I think particularly now that you've  
9 moved into a no-positive-subsidy-loan environment, you're  
10 all upside. So that's a, that's a unique situation for me  
11 to be in in terms of OMB's role. And I really do think that  
12 the reauthorization last year, if you think about it more  
13 broadly in terms of advancing the Administration's overall  
14 economic agenda, the reauthorization last year was a bright  
15 spot, and we have too -- we've had too few of those on the  
16 legislative landscape if what your principal focus is, is  
17 trying to move the American economy forward in a  
18 constructive and pragmatic way.

19 You know, I think that moves us into the current  
20 situation and where we go for the future, and I do think  
21 that the, both the challenges, the opportunities that the  
22 Ex-Im faces are -- do connect into the budget debates that  
23 we are facing now. I thought that I might try to come here  
24 and give you guys clarity on what was going to happen over  
25 the next two weeks, but barring, barring that, you know, I

1 guess I could just give you my very quick one-minute  
2 reflection on -- the one thing that I think is interesting  
3 about economic policy right now at this moment is that the  
4 right thing that we are, you know, the binding constraint  
5 really is, is politics.

6           I think there's a growing recognition from an  
7 economic perspective, there's a big gain to be had by  
8 following an approach that I don't think that there's  
9 actually, outside of extremes, there isn't a lot of  
10 controversy around, which is, we need to, we need to tackle  
11 our long-term fiscal challenges and we need to do so in a  
12 way that actually improves output today and improves  
13 productivity along the way. And there's so much opportunity  
14 to do that right now, and there's a lot of consensus on both  
15 of the steps we need to take in the short term and the steps  
16 we need to take in the long term. The problem is we have a  
17 political system that's not actually up to delivering on  
18 that, and so we are in a situation now where we face a set  
19 of rolling deadlines here around funding the government and  
20 paying our past bills that is going to be really  
21 challenging. And so I think the next couple of months are  
22 going to be complicated, but from the Administration's  
23 perspective, we, we do have a, you know, we have a vision  
24 for where we want to get to, and I think that we are trying  
25 to navigate through each one of these, each one of these

1 incremental challenges without losing sight of that larger  
2 vision. And I think that, you know, one of the things that  
3 is nice about an agency like Ex-Im is that notwithstanding  
4 all of the uncertainty that sometimes actions in Washington  
5 take, this is an example of a place where we can actually  
6 continue to incrementally move the ball forward and  
7 particularly because we, you know -- we got another  
8 reauthorization challenge obviously on the horizon, but  
9 since that is on the horizon as opposed to front and center,  
10 we have some real progress that we can make in the interim.  
11 That's true in other areas of government, and we really got  
12 to stay focused on that because we got to, you know, we do  
13 have to remain focused on making progress where we can.

14           With that, let me just, let me pause without  
15 trying to give you guys any broader theory of the case and  
16 just go to your questions. Happy to give you my perspective  
17 on the current state of play as, all joking aside, it --  
18 constantly moving. So it's only worth what you guys paid  
19 for it, but I'm happy to do that, happy to address other  
20 budget, fiscal, economic issues. The floor is open.

21           MR. CUNNINGHAM: Great. Fred Bergsten.

22           MR. HOCHBERG: The sighing, retiring Fred  
23 Bergsten.

24           MR. CUNNINGHAM: Yes.

25           MR. BERGSTEN: Yes. Brian, welcome, great to see



1 you. Let me ask you a macro question but which relates  
2 directly to this institution. You guys rightly want to  
3 accelerate economic growth, get unemployment down faster  
4 than it's going, but you've got some constraints: you've  
5 talked about the budget; you're not going to have a new  
6 stimulus program; budget, if anything, continues to tighten;  
7 monetary policy has done its thing, it's going to start  
8 tapering down. So what are you left with in terms of policy  
9 tools? Well, you ought to pay much more attention than you  
10 are to strengthening the trade position.

11 U.S., despite expansion of exports -- we talked  
12 about that before -- U.S. continues to run  
13 half-a-trillion-dollars-a-year trade deficit, and it's  
14 growing again. That's conservatively two-and-a-half, three  
15 million jobs, maybe more. So why don't you launch a more  
16 concentrated effort to get the trade deficit down, like over  
17 five years if you could get rid of it? That's a hundred  
18 billion a year. That would add to growth very substantially  
19 and bring unemployment back almost to the national rate.

20 Then you say, of course, how to do that. Well,  
21 one thing would be an even bigger role for this institution.  
22 That's controversial within the institution, but it seems to  
23 be -- it's a no-brainer. This institution ought to be doing  
24 much more and be much bigger. It would also mean the  
25 exchange rate but that doesn't mean being a nasty

1 protectionist. What it means is being serious about the  
2 Chinese and the other countries who manipulate their rates  
3 to keep ours overvalued and hurt our competitiveness.

4           So for the life of me, I can't figure why the  
5 Administration has not gone much more heavily in that  
6 direction. We've run massive trade deficits for 30 years.  
7 We've facilitated export growth in the whole rest of the  
8 world. Nobody could charge us with being  
9 beggar-thy-neighbor if we just did the kind of things I  
10 mentioned, sticks within the international rules. Why don't  
11 you guys do a lot more in that direction?

12           MR. DEESE: So, on the macro analysis, I wouldn't  
13 -- I agree, basically, with you that the opportunity that  
14 the trade, that improving the trade balance represents is an  
15 important one and, in a world with limited monetary and  
16 fiscal tools, it's, it becomes more central. I would, I  
17 take modest issue with the idea that we haven't done  
18 anything, but I don't think that that was your central  
19 point. Your central point was how to do more.

20           MR. WEBBER: Yes.

21           MR. DEESE: And I think the question there is how  
22 to get pragmatic about, you know, moving the ball  
23 incrementally. As you guys know, one of the places that the  
24 President and his economic team singled out early was  
25 exports, and we set an ambitious goal around exports. We

1 may not, we may not actually hit that goal, but the setting  
2 of the goal -- and, you know, I think we will, I think we  
3 will make important progress -- but the setting of that goal  
4 and the policies that underlaid that is representative of  
5 what you can do when you try to focus attention on, on an  
6 issue like that.

7           I think one question is how do we double down on  
8 the work that we've done in that space now. I don't  
9 disagree with you. I think Ex-Im is part of that, part of  
10 that equation. I think trade enforcement is part of that  
11 equation, as well, and a place where we've been, we've been  
12 focused and I think we will continue to be. And I think  
13 that, you know, so I think -- I guess what I would say is  
14 that this is a place where we are very open to being pushed  
15 constructively the way you are now, but I think we need to  
16 get to the level of pragmatism because some of the, some of  
17 the steps that we would most constructively take, even if  
18 they are not sort of conventional stimulus, do require  
19 Congress in one way or another; there may be others that you  
20 say, you know what, we can do a lot more on our own. That's  
21 a place where, you know, we're an open -- you're pushing on  
22 an open door in that respect.

23           So, you know, I think that, I think that it is, I  
24 think you're -- I think you're basically right. I think the  
25 question is, you know, you tell us what more would we do. I

1 think the exchange rate is complicated for a whole set of  
2 reasons, but even if you set that one aside, I think there  
3 is, you know, there's a lot to do, and I think we're an open  
4 door in terms of how we, how we can advance the, advance the  
5 ball.

6           MR. CUNNINGHAM: You know, Brian, you can imagine  
7 how actually fun it is to chair a group like this when  
8 you've got Fred Bergsten, you've got former Governor  
9 Gregoire of Washington state, Bill Richardson of New Mexico,  
10 Mike O'Neill, the chairman of Citigroup, Carol Browner. But  
11 the ones that I've -- and I love the policy discussions -- I  
12 have loved learning about the businesses of some of the  
13 companies sitting around here because there's been a great  
14 effort to get small businesses and manufacturers  
15 represented, to get their input. And we were having -- so  
16 you got, you know, Cherod Webber, who makes nutraceuticals  
17 in South Carolina, and John Bakane, textiles in the  
18 Carolinas, and Nancy Mercolino makes ceiling tiles in Los  
19 Angeles, and Mary Andringa makes farm equipment in Iowa, and  
20 you can just go all around the table, and some people who  
21 aren't here.

22           We were having a discussion today at lunch that  
23 actually takes me to a question that you might have dealt  
24 with in the first part of your job in the Administration.  
25 All these folks make stuff here, and when you ask them where

1 they bought the machines that make the stuff, the answer was  
2 Italy, Germany, Switzerland, Japan. You know, these folks  
3 are all making stuff here, but they're making it with  
4 equipment that was manufactured in some of these other  
5 high-cost, high-wage, very sophisticated economies, and I  
6 guess one question for you is, why don't we do more of that?  
7 Why isn't the U.S. in a better position to compete in the  
8 machine tool area and, frankly, which would be a, could be a  
9 tremendous source of exports and would allow us to improve  
10 our trade balance dramatically if we didn't -- instead of  
11 buying tools from Germany, we were exporting tools to China  
12 and Southeast Asia.

13 MR. DEESE: Yes.

14 MR. CUNNINGHAM: So --

15 MR. DEESE: Yes. So, well, one of the answers --  
16 so what's funny about that question is that's a question  
17 that I'm not, I can't say exactly phrased the way that you  
18 phrased but almost exactly the way you phrased is a question  
19 that the President has asked us on more than one occasion  
20 and in -- not just, not just specifically in the sort of  
21 machine and machine-component area but also in sort of a  
22 variety of high-tech manufacturing segments where --

23 MR. CUNNINGHAM: Yes.

24 MR. DEESE: -- our competitors are not -- our  
25 global competitors are not principally competing on, you

1 know, lower wages.

2 MR. CUNNINGHAM: Yes. Yes.

3 MR. DEESE: And so I think there's a couple, you  
4 know, I think there's a couple answers. One is what can we  
5 do as a country that, that -- I think one of the things that  
6 we're learning about high-tech and advanced manufacturing is  
7 the linkage between the manufacturing and the innovation is  
8 increasingly tight. And so, you know, if you want the  
9 answer of where is the next generation of high-tech  
10 manufacturing going to be, it's most likely that the answer  
11 is going to be it's going to be located within proximity to  
12 where the most innovative, cutting-edge research is, where  
13 engineers are located.

14 And so one question -- and I think this is an  
15 appropriate role for the government to play -- is how can we  
16 help make sure that we are laying the foundation so that  
17 we're making not just appropriate basic R&D investments but  
18 also sort of applied investments. And so one of the things  
19 that we've spent a lot of time within the Administration  
20 doing, Fred's point about what can we do pragmatically,  
21 particularly with a difficult congressional environment, is  
22 this idea of trying to create a network of manufacturing  
23 institutes across the U.S. This is something that Germany  
24 has. It's an idea we're basically borrowing and trying to  
25 improve upon, and we need, we need more, we need more

1 budgetary resources than we have now to implement the whole  
2 vision, but we are able to move forward constructively on  
3 our own now. We've launched the first one in Youngstown,  
4 Ohio. We're going to, we're competing to do a couple more  
5 right now, and we'll announce that in the fall. And what I  
6 think is important about this is the one in Youngstown,  
7 Ohio, is focused mainly on 3-D printing, additive  
8 manufacturing --

9 MR. CUNNINGHAM: Yes.

10 MR. DEESE: -- and it is a place where you're  
11 bringing -- you've got, you've got a partnership with three  
12 universities, about 40 businesses, big and small, and  
13 they're collocating in a single place, you know, engineers  
14 and scientists, and with a little bit of seed money, we're  
15 going to create something there that I think is going to be  
16 very attractive and that's the kind of thing that would be  
17 attractive when you're asking the question of, well, where  
18 are you going to, where are you going to locate in the  
19 future.

20 So I think there are things like that that we can  
21 do. I think another one, and it dovetails to the question  
22 that Fred asked as well, is to have a more aggressive trade  
23 agenda. And so I think that while -- that moving on  
24 something like our vision for TPP would actually put us on a  
25 better footing to compete with a number of the economies

1 that are excelling in places like that. So I think that  
2 that's important. And then third is, you know, the more  
3 general, not just for advanced manufacturing, but how do we  
4 make the U.S. an attractive place for businesses to come and  
5 invest. And I think that that goes to, you know, there you  
6 have to have a broader lens and, you know, how do we take  
7 advantage of the revolution in domestic energy that's  
8 happening to make sure that we actually, we actually harness  
9 everything that's happening there and actually, you know,  
10 have that be an important input in people's locational  
11 decision-making processes -- training, smart investments in  
12 training where you're actually connecting our, you know,  
13 community college system up with those types of businesses  
14 and saying, look, tell us specifically what kind of, what  
15 kind of job categories you need so that we're training smart  
16 in that respect.

17           So I think the answer, I think the answer is a  
18 complicated one, but I think that there are really lots of  
19 pragmatic things that we can do to try to address it and if  
20 we -- you know, there's a lot of pessimism about the current  
21 state of fiscal policy, but this is one place where I'm  
22 pretty bullish, that I actually think that if you look at  
23 the resurgence in manufacturing, both production activity  
24 and employment in the United States right now -- you know,  
25 we had a big debate the other, you know, a couple of months



1 ago because Goldman Sachs put out this thing that said, you  
2 know, there isn't yet sufficient data to say whether or not  
3 the resurgence in domestic manufacturing is going to be  
4 enduring or not, and everybody jumped on that to say, well,  
5 the resurgence isn't real and the finding was literally just  
6 that you couldn't say with, say with, you know, with all  
7 definition, yes, we're over the hump, but I think that this  
8 is one of the most sort of exciting areas of our economy,  
9 going forward; that if we make some smart policy choices and  
10 if we see some of the trends continue on energy and  
11 otherwise, that I think that what we've seen in  
12 manufacturing and advanced manufacturing over the last  
13 couple of years could endure and could be one of the stories  
14 of this decade in terms of, you know, the American economy.

15 MR. CUNNINGHAM: That's really fascinating, and I  
16 guess I'd have to ask the question, what can Ex-Im do to  
17 help with this? Is there something that the Bank can do to  
18 help fund the sort of exports that can help lead to  
19 promoting these sorts of things? It's a fascinating  
20 question. And I think probably Peter Baranay, who makes  
21 tape and auto parts in South Bend, Indiana, would like to  
22 put South Bend right next to Youngstown with -- it's a place  
23 that's got one or two world-class universities and a good  
24 manufacturing base too.

25 MR. BARANAY: We do.

1           MR. DEESE: We knew we were into something good on  
2 these manufacturing institutes when we went up to the Hill  
3 and said, you know, we need a billion dollars to fund our  
4 full vision of putting 15 or 20 of these, and you know,  
5 Republicans, a number of Republicans in Congress said, well,  
6 I don't know, you know, I don't know if we're going to be  
7 able to do that, and then we funded the first one in  
8 Youngstown, and since then we've got a lot of incoming of  
9 when's the next solicitation, how do we get, how do we get  
10 the next one --

11           MR. CUNNINGHAM: Right.

12           MR. DEESE: -- in South Bend.

13           MR. CUNNINGHAM: Yes. Yes, thank you.

14           MR. HOCHBERG: Sure, Mike.

15           MR. BOYLE: Mike Boyle. I'm the CEO of Boyle  
16 Energy Services. Do you mind if I put you on the spot?

17           MR. DEESE: Absolutely, I don't mind.

18           MR. BOYLE: I have a unique position. I'm the, I  
19 was -- and I'm proud of this -- I was the chairman of the  
20 subcommittee on public engagement. In the last  
21 six-and-a-half months, my subcommittee and I were basically  
22 tasked by the chairman to go out and find out how we could  
23 increase public outreach across the country. I specialize  
24 in small business, and we asked the question, and  
25 unanimously, with everybody, from the banking community to

1 the private industry to the government sectors, we came up  
2 with one answer, and you can solve that problem today. If  
3 you want a pragmatic answer --

4 MR. DEESE: Uh-oh.

5 MR. BOYLE: -- I can give it to you.

6 MR. DEESE: Uh-oh.

7 MR. BOYLE: Mr. Deese, you'll find out, I'm --

8 MR. DEESE: Here we go.

9 MR. BOYLE: -- I'm like the Starship Enterprise:  
10 I go where no one else goes and I want to feed mayonnaise to  
11 tuna fish. So --

12 MR. CUNNINGHAM: Yes.

13 MR. BOYLE: In each case, in each case what came  
14 across was that Ex-Im Bank and the NEI is the best kept  
15 secret in American government right now, okay? We'd like  
16 your authorization for \$3 million to increase the  
17 advertising budget for the Ex-Im Bank immediately, in  
18 correlation to a national ad campaign to promote small  
19 business exporting across -- from the United States. I  
20 think that this will improve -- for \$3 million I can improve  
21 your public policy, I can improve your foreign policy --

22 MS. ANDRINGA: Yes.

23 MR. BOYLE: -- and I can generate more revenue  
24 from that \$3 million than you can with a billion. Excuse me  
25 for being -- I told you I was going to put you on the spot.

1           MR. DEESE: It's a good sell, yes. No, no, it's a  
2 good sell, yes. No, no, I'm authorized, anything that has  
3 an M behind it I can just, you know. So, so persuasive  
4 pitch. I guess -- so the one thing I would say, you're not  
5 the first person that I've heard say that the NEI is great  
6 and nobody knows about it, and I think that that's a fair, I  
7 think that that's a fair critique. And whether or not it's  
8 \$3 million to you guys to help solve that, I think in a --  
9 you know, more generally, that is a problem that we  
10 collectively need to figure out how to solve.

11           Now, some of that is, it's a challenge because,  
12 you know, we often hear, well, you need to have the  
13 President out there, talking directly about these issues  
14 more. If you go back and you look, he actually was out a  
15 surprising amount in the first couple of years, talking  
16 about the NEI. It was really, you know, it was something --  
17 it still is -- it's something that he was really  
18 enthusiastic about. I think that's necessary but not  
19 sufficient, and so I think that the question of how to  
20 actually tap into institutions that have the ability to get  
21 down and speak to constituencies, trade associations, small  
22 business constituencies, others, you know, a lot who don't  
23 even recognize that there are export opportunities, there  
24 are, you know, there's support for them if they're looking  
25 to try to attract inbound investment as well.

1           One of the things that we are doing that won't  
2 necessarily get you your 3 million directly but I want to  
3 make sure you guys all know about is we launched this thing  
4 called SelectUSA --

5           MS. BROWNER: Yes. Yes. Yes.

6           MR. DEESE: -- I'm glad most of you have heard of  
7 it --

8           MR. BERGSTEN: Yes.

9           MR. DEESE: -- although it's a problem if not all  
10 of you have -- where the basic idea was, you know, it's  
11 analogous to the Ex-Im's mission, which is almost -- we're  
12 terrible at this compared to other countries in terms of  
13 providing clear, coherent, unified, one-stop shopping for,  
14 for businesses who are coming and looking to invest in the  
15 United States. Other countries are very sophisticated about  
16 this, more sophisticated than we are, and obviously it's a  
17 challenge in the U.S. because of our great federal system.  
18 You've got to have a system that coordinates with states and  
19 local governments, too, because a lot of, obviously, a lot  
20 of levers that can be pulled there at state and local  
21 levels.

22           So we are doing a -- SelectUSA has been sort of a  
23 small pilot-type initiative that we've launched, but we're  
24 trying to do a pretty substantial thing later this fall and  
25 have a conference here in the United States, which I think

1 will be the first of its kind, where we are going to bring  
2 hopefully thousands of folks from around the world here with  
3 a, with the message that the United States is actively and  
4 openly looking for inbound investment and that the  
5 government is going to step up its game in terms of  
6 facilitating that.

7 I think those types of things are where the  
8 opportunity lies. I think the Ex-Im is another tool we  
9 should think about how to use effectively, all joking aside  
10 about your specific ads. And I also think that, you know,  
11 one of the things that you, that Ex-Im faces is that because  
12 these, because the politics of the reauthorizations have  
13 gotten unfortunately acrimonious, those are, you know, it's  
14 also important to have a way of communicating with the  
15 public about what these activities actually are and the kind  
16 of impact that they have on local economies all the time,  
17 not just, you know, during the time when we have these  
18 fights around reauthorization.

19 MR. BOYLE: My work with the Ex-Im Bank in the  
20 short period of time we've been together helped my company,  
21 through exports, to grow 600 percent in five years and 500  
22 percent in employment.

23 MR. DEESE: How many jobs?

24 MR. BOYLE: Okay. That's nothing at the moment.  
25 It's the beginning of where we intend to go. The only

1 problem I have, Brian, is when -- is that nobody knows what  
2 to do with these people, and by empowering the finance trade  
3 support that this bank offers, it allows a transformation of  
4 small business entrepreneurs and middle-market entrepreneurs  
5 to awaken themselves to going overseas. Your inbound  
6 services -- you guys are doing a great job, and the  
7 government is spreading the word through every level.  
8 Commerce and everyone's doing a great job and working very  
9 hard. In this one particular case, the Ex-Im Bank has a  
10 product service that makes the government a profit, okay,  
11 and more of American businesses, from Duluth, Minnesota, to  
12 San Diego, need to know that they can use this.

13 MR. DEESE: Yes.

14 MR. BOYLE: They're not getting that out. There's  
15 just not enough -- there's no advertising. They're in trade  
16 shows and all of the things that we walk through, but  
17 they're complex. They have to draw --

18 MR. DEESE: Yes.

19 MR. BOYLE: -- and what we want to do is focus on  
20 getting people to the website, that's it, and I think the ad  
21 budget currently sits at \$100,000 or something on that --  
22 that's, for an organization to structure. So, again,  
23 appreciating the macro portion of what you're trying to do,  
24 and obviously you have a lot to do right now --

25 MR. DEESE: No, but I --

1 MR. CUNNINGHAM: Yes.

2 MR. DEESE: -- joking aside, let's, you know,  
3 let's --

4 MR. CUNNINGHAM: Yes.

5 MR. DEESE: -- have the follow-up conversation  
6 about it.

7 MR. CUNNINGHAM: Yes.

8 MR. DEESE: I think the spirit of the point is  
9 totally taken and that we do, we often, in -- in these  
10 government programs, we do a better job executing than we do  
11 marketing, and it hurts; it hurts the overall outcome.

12 MR. CUNNINGHAM: You know, you get the sense that  
13 maybe Boyle Energy Services didn't grow just because of  
14 Ex-Im Bank, but -- because they had a pretty good salesman  
15 at the helm, but thank you. Thank you for that, Mike.

16 MR. BERGSTEN: Nelson, could I add just a footnote  
17 to this?

18 MR. CUNNINGHAM: Yes, and then I want to go to  
19 Sean Mulvaney, but yes.

20 MR. BERGSTEN: Because, I mean, he's energy  
21 services and I think the broader point -- you did a lot with  
22 manufacturing, as you said, with autos and such, and  
23 manufacturing needs to be beefed up, and as you said,  
24 there's a resurgence going on and all that, but the place  
25 where the government has been even more neglectful, and



1 maybe even this bank, in supporting export expansion is in  
2 services --

3 MR. DEESE: Yes.

4 MR. BERGSTEN: -- where we have a big surplus,  
5 huge comparative advantage.

6 MR. DEESE: Yes.

7 MR. BERGSTEN: For a long time people thought  
8 services were not tradable. The work Van Jensen has done  
9 for us shows that services are hugely tradable. Twenty  
10 percent of manufacturing firms export. Fewer than five  
11 percent of services firms export. There's an enormous  
12 opportunity, so particularly there as you do these outreach  
13 efforts.

14 MR. DEESE: Yes. Yes.

15 MR. CUNNINGHAM: Okay. I think we've got about 10  
16 more minutes or a little less of your time, but Sean  
17 Mulvaney, a member of the Board here at the Ex-Im Bank.

18 MR. MULVANEY: Yes, thanks very much. I mean, on  
19 the topic of manufacturing, I think it's always important to  
20 remember, we actually produce 70 percent more as a country  
21 in terms of economic output in manufacturing than we did in  
22 1990. We actually produced six times more than we did in  
23 1950. The problem, the challenge is that we produce it with  
24 one-third less people. So we've had -- it's not as if, you  
25 know, we're losing manufacturing. I feel like we're

1 entering into somewhat of a post-industrial age, which  
2 people talk about as kind of a key challenge, and I just  
3 want to put that out there.

4           You just heard a request for an advertising  
5 budget. Let me translate that into OMB budget speak. That  
6 means we need permission to spend an additional \$3 million  
7 of our offsetting collections, you know, as part of a budget  
8 request, because the point is kind of, I think, a good one  
9 about the absence of the ability to do good marketing here  
10 does relate to the ability to have a marketing budget to  
11 associate with people. You know, it's not just people; it's  
12 also resources to do promotions.

13           Two other things I think that would be helpful  
14 from an OMB perspective on Ex-Im's portfolio. One is, you  
15 know, the Congress mandated that Treasury actually negotiate  
16 and engage around the world a renewed effort to limit the  
17 use of export credit subsidies, the idea of eliminating them  
18 at some point in the future. You read our competitiveness  
19 report. There is a tremendous growth in the use of  
20 unregulated export credit subsidies in the OECD, and then  
21 there's the rise of the bricks. And as a  
22 confidence-building measure, I think it's important that the  
23 Administration animate that agenda that Treasury leads  
24 because that creates the space for part of the political  
25 spectrum to get comfortable with Ex-Im. If we're out there

1 aggressively as a USG, in terms of international economic  
2 policy, trying to discipline the unfair competition that's  
3 going on, that creates space for this institution.

4           The second thing is, we're under a lot of  
5 complaints about risk, and arguably -- you know, there's  
6 room for debate on this -- but, you know, our exposures have  
7 grown by 80 percent, from 56 billion to 106 billion. If you  
8 were to look at our reserves as a percentage of our total  
9 exposures, it's dropped from about seven or eight percent  
10 down to about three or four percent and that partly has been  
11 as a result of historical practice. We haven't had that  
12 many losses. OMB methodology is we only set aside reserves  
13 for our historical experience. I think, as going forward,  
14 if you want to strengthen this institution, you need to  
15 think about how you can boost reserves for potential future  
16 unforeseen circumstances that's not based on historical  
17 experience but based on what could be out there in terms of  
18 global uncertainty.

19           You know, why is this important? Because I feel  
20 like if we could boost our reserves to be able to tell  
21 taxpayers and members of Congress that we are fully  
22 protecting the President and the taxpayer, that that might  
23 increase policymaker confidence in us being able to take  
24 more risk, you know. And there's a relationship there  
25 between the ability to protect and reserve and that's where

1 OMB is extremely important --

2 MR. DEESE: Yes.

3 MR. MULVANEY: -- because our methodology is  
4 approved by you.

5 MR. DEESE: Yes.

6 MR. MULVANEY: We have to make our case to you,  
7 but if you can have an open mind --

8 MR. DEESE: Yes.

9 MR. MULVANEY: -- for the institution, I think  
10 that would be terrific.

11 MR. DEESE: Yes. Can I ask just a specific  
12 question on that last one, which is, what is the, what is  
13 the accumulation of reserves due to your ability to grow and  
14 expand your book in current and future years? How do you  
15 grow reserves?

16 MR. MULVANEY: Well, that's a good question, and  
17 it's worth more than an offline conversation --

18 MR. DEESE: Right.

19 MR. MULVANEY: -- and I'm happy to do that to you.

20 MR. DEESE: Okay.

21 MR. MULVANEY: It definitely does have an impact,  
22 I think, on our risk appetite or could have, you know, an  
23 impact on our risk appetite. You know, we tend to not have  
24 much of a risk appetite within the institution because  
25 there's very low-risk appetite along the political

1 spectrum --

2 MR. DEESE: Right.

3 MR. MULVANEY: -- for us to incur losses, but --

4 MR. DEESE: Right. Right.

5 MR. HOCHBERG: Well, let me just jump in, just to  
6 add a little clarity. I mean, during the financial -- is  
7 David Sena still here? No. Okay. During the financial  
8 crisis, we started reserving at 95 percent confidence level  
9 of a default, and it used to be 50, and it was my judgment  
10 and our chief of, chief financial officer at the time that  
11 we -- in light of the crisis, an unknown, we increased our  
12 reserves.

13 I'm probably the only bank CEO in the country that  
14 actually, when we meet with the auditors, advocates for more  
15 reserves, not less. I mean, general accounting principles,  
16 actually, the outside auditors -- and you're on the Audit  
17 Committee, Sean -- the outside auditors say, and in years  
18 past they have often said, there's no justification for  
19 keeping additional reserves because your record doesn't  
20 justify it.

21 So, we've been in -- you know, frequently on the  
22 commercial side you have bank chairmen who were trying to  
23 release reserves to increase profits, increase stock price,  
24 and increase bonuses. We're in the position of taking the  
25 reverse view, but at some level, it becomes the outside

1 auditors who sign off, and you and Pat are both on the Audit  
2 Committee. You know, that has heretofore not been a  
3 success. We have not, you know, the auditors said there  
4 isn't sufficient justification for keeping more reserves  
5 than the historical record would show.

6           So, you know, I think we're, we are actually  
7 somewhat, as a Board, in sync on that, but just to educate  
8 people, it's really that a lot -- each year the auditors  
9 have often said, well, we don't see any losses in these  
10 areas, the reserves aren't justified. And, conversely, if  
11 they saw a justification, that would help increase the  
12 reserves, but it is somewhat of a --

13           MR. DEESE: It's a unique role for OMB to be in  
14 with respect to our credit, our oversaid credit subsidy  
15 programs --

16           MR. HOCHBERG: Right.

17           MR. DEESE: -- to have someone come and say they  
18 want to --

19           MR. CUNNINGHAM: Yes.

20           MR. DEESE: -- increase their reserves. So I'd be  
21 happy to dig a little bit more into that.

22           MR. CUNNINGHAM: I can't tell you how fascinating  
23 it's been to have you here. I know you have to leave.  
24 Maybe --

25           MR. DEESE: Yes, we can -- go ahead, of course,

1 yes.

2 MR. CUNNINGHAM: -- Governor Gregoire can ask one  
3 more question, and -- go ahead.

4 MS. GREGOIRE: It will be very --

5 MR. CUNNINGHAM: Yes.

6 MS. GREGOIRE: -- it will be very quick, and that  
7 is to say -- well, first, thank you for coming, and number  
8 two, most importantly, thank you for your service to the  
9 country --

10 MR. DEESE: I appreciate it.

11 MS. GREGOIRE: -- too often not stated but always  
12 thought. We went through a very grueling reauthorization  
13 last time. It's up again in a year.

14 MR. DEESE: Yes. Yes.

15 MS. GREGOIRE: In light of the debates that are  
16 going on now and the political climate --

17 MR. DEESE: Yes.

18 MS. GREGOIRE: -- real quickly, your thoughts,  
19 your recommendations as to what we should do, should not do  
20 in our looking forward towards reauthorization.

21 MR. DEESE: Yes. So I think the, I think the  
22 single biggest thing that you all can do and that Ex-Im can  
23 do as an institution is, is execute with excellence over  
24 this period of time and that, you know, success will, I  
25 mean, that -- success is necessary but not sufficient,

1 obviously, in the current political climate, but that  
2 continuing to provide the service that you provide, smartly  
3 expanding in the areas, you know, being able to show that  
4 you are working with a diverse type, you know, across  
5 business types, across business sizes, that you've got --  
6 that you're helping expand on the services side as well as  
7 the manufacturing side, that you can tell a story that  
8 principally is based in the economic substance of your work  
9 is the most important.

10           It often feels like, you know, particularly in the  
11 last debate, that that was kind of the, that that was --  
12 that was sidelined because we got wrapped up in a bunch of  
13 things that were largely, you know, associated with either  
14 deliberate misrepresentations or confusions about the work,  
15 but I think that, you know, having -- being in a position  
16 where you are stronger and even more capable of telling a  
17 story of executing against mission, you know, six or eight  
18 months from now than you were six or eight months ago I  
19 think is important.

20           The second is, you know, in looking at the --  
21 thinking about practical ideas to try to get in front of  
22 this risk debate I think is a valuable thing to do. I think  
23 that there's a, you know, again, as somebody who looks at a  
24 lot of different credit subsidy programs across lots of  
25 different agencies and lots of different -- this one is



1 different and unique and it plays a different role. And we  
2 have credit subsidy programs that are built to play a  
3 deliberately countercyclical role and that, you know, that,  
4 or that have a deliberately, you know, altered risk profile  
5 with, where they take a lot more risk, you know, by dint of  
6 statute or by dint of, you know, policy choice, but I think  
7 that thinking about practical ways to reinforce the steps  
8 that this institution has taken to really address concerns  
9 about risk while being consistent with mission will be  
10 important.

11 I personally think it's important not to, not to  
12 go into that substance in service of risk talking points and  
13 that's obviously, you know, something that I would leave to  
14 you all to do, but I do think that there is a risk there,  
15 not to use the word risk too much, but there is a concern  
16 there about going too far in the other direction and really  
17 taking out a portion of the risk profile that is really  
18 needed and where you guys, you know, have a real value  
19 added. So I don't want to -- but I think that looking for  
20 pragmatic ways to reinforce that this is a unique portfolio  
21 and that you guys are being uniquely prudent is, is  
22 important.

23 And then, you know, I think the third is -- and  
24 this is where it is worth looking at new ideas as well --  
25 it's important that more people understand what Ex-Im as an

1 institution does and how it fits into an economic strategy  
2 that affects them where they are in their lives and figuring  
3 out a way to connect it to sort of pragmatic, there are 50  
4 jobs in -- and, you know, I assume they're pretty good,  
5 they're probably pretty good paying jobs -- because of this  
6 enterprise, and that that's principally the kind of story  
7 that needs to be told. And that, you know, that, more than  
8 the global imbalance in country activity around providing  
9 preferential financing that's unregulated, while that's a  
10 persuasive economic theory of the case behind this  
11 institution, it's not one that, you know, that hits people  
12 where they are. And so I think that thinking strategically  
13 now about how to, you know, how to make sure that we as the  
14 Administration know how to tell that story is going to be  
15 the third point. And --

16 MR. BERGSTEN: That's what his ad budget would  
17 show.

18 MR. DEESE: Yes. I hear you. I hear you.

19 MS. BROWNER: Exactly.

20 UNIDENTIFIED SPEAKER: You need a narrative.  
21 That's what politicians --

22 MR. CUNNINGHAM: I can't thank you enough for  
23 coming. We could keep you here for hours, I know, but sadly  
24 the taxpayers need you back. So thank you very much for  
25 coming, and let's give a hand to our special guest.

1 MR. DEESE: Thank you, all. Thank you, all.

2 MR. CUNNINGHAM: Good. We turn now to the public  
3 comment part of our program. These meetings are open to the  
4 public. They are, they're intended to both educate the  
5 Advisory Committee and the public about the work of what we  
6 do and the work of the Bank. We invite any members of the  
7 public who would care to step forward and comment on our  
8 proceedings to do so now.

9 MS. SCHOPP: I have a mike.

10 MR. CUNNINGHAM: And we have a microphone. No one  
11 is coming forward, but thank you and thanks for having the  
12 microphone ready. I think that really brings us to the end  
13 of our program and to our four, the four meetings of this  
14 Advisory Committee over the past year. I have to say,  
15 really, Fred, what a huge privilege it has been, both to  
16 work with all these people -- this is my third year on the  
17 committee, and this is the best group we've had, both in  
18 terms of energy, engagement, the quality of the work that  
19 people do, both on the committee and then outside the  
20 committee, the range of breadth of the interest that they  
21 bring, what a privilege -- and it's been one of the great  
22 privileges of my career, Fred, when you asked me if I would  
23 chair this committee, and it's been a fantastic experience  
24 for me over the last two years. And I want to thank each  
25 and every one of the members here for taking the time,

1 especially those of you who fly from far distances and who  
2 arrived last night, you know, after 11:00 p.m. because of  
3 thunderstorms here, there, everywhere, or got up this  
4 morning at 4:30 in the morning in various corners of the  
5 country to make it here. Thanks for doing it. Thanks for  
6 your service, as Governor Gregoire reminded us, and it's  
7 been a lot of fun. Thank you.

8 MS. LOUI: Thank you, Nelson.

9 MS. GREGOIRE: Thank you, yes.

10 MR. HOCHBERG: Thank you, Mr. Chairman. Thank  
11 you.

12 UNIDENTIFIED SPEAKER: Are we doing a picture?

13 MS. SCHOPP: We're going to do a picture. Niki is  
14 going to --

15 MR. CUNNINGHAM: Right.

16 MS. SCHOPP: -- be back with the camera. So --

17 MR. CUNNINGHAM: So we're adjourned, and we'll  
18 take a picture.

19 MS. SCHOPP: Yes.

20 MR. MULVANEY: Thanks.

21 (Whereupon, at 2:22 p.m., the meeting was  
22 concluded.)

23

24

25

Digitally signed by Wendy Campos

ELECTRONIC CERTIFICATE

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September 25, 2013

\_\_\_\_\_  
Transcriber

Date

EXPORT-IMPORT BANK OF THE UNITED STATES

ADVISORY COMMITTEE MEETING

Wednesday, December 18, 2013

9:36 A.M.

Export-Import Bank  
811 Vermont Avenue, N.W.  
Washington, D.C. 20571

PRESENT:

BOARD MEMBERS:

Fred P. Hochberg, Chairman and President  
Sean Mulvaney, Director

ADVISORY COMMITTEE MEMBERS:

Alan H. Fleischmann  
Celeste Drake  
Cherod Webber  
Gary Hufbauer  
Jennifer Fulton  
John Bakane  
Lisa Howlett  
Luis Ubinas  
Mary Andringa  
Michael Boyle  
Owen Hernstadt  
Victoria Bernhardt  
Gwynne Shotwell (via telephone)  
Steven Wilburn (via telephone)

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P R O C E E D I N G S

MR. HOCHBERG: Well, good morning. We're going to get started. We're just a few minutes in and just a couple of -- normally I don't chair this meeting. It's normally chaired by the chair of the Advisory Committee, and the chair for this year is Governor Gregoire, Christine Gregoire, who was not able to come here today. So I am the president and chair of Ex-Im and the acting chair of the Advisory Committee. And also, normally, just as a quick comment, we normally meet 11:00 to 3:00 to allow people who are, can fly in and, if they wish, to fly in and out the same day -- had a slight adjustment with the holidays this year, but just going forward, we're normally on an 11:00-to-3:00 day.

So I'm going to, I guess, officially call the meeting to order, and this is an open meeting. All meetings of the Advisory Committee are open and there'll be a public record of it, and the public is also invited to join us.

So let me -- first I want to thank returning members for returning and coming back to the Advisory Committee and lending us your time, energy, and thoughts for another year of service to the Advisory Committee. That's exceedingly helpful in terms of continuity, and all of us learn a little bit each year; so those of you who are returning have another perspective to add.

1           At the same time, I want to thank those who are  
2 joining us this year -- we're going to introduce everybody  
3 shortly -- to take time out of your busy schedules, as well  
4 -- this is a busy time of year in particular -- but to take  
5 time out of your schedules and share your expertise and  
6 perspectives so that we can do a better job here at Ex-Im  
7 Bank.

8           I think we have a few people on the phone. Let me  
9 just check.

10           MS. SHOTWELL: Hi, Fred. This is Gwynne Shotwell  
11 with SpaceX. I'm on the phone.

12           MR. HOCHBERG: Excellent. Thank you, Gwynne.  
13 Gwynne is calling from, all the way from California. So  
14 it's a little early there.

15           MR. WILBURN: It is early, Fred. This is Steve  
16 Wilburn, FirmGreen.

17           MR. HOCHBERG: Another Californian. We were  
18 criticized a few years ago for not having enough geographic  
19 diversity and dispersion. So we have remedied that -- a  
20 number of members of this year's Board. So those of you on  
21 the phone, I would just ask you, why don't you mute your  
22 phone while you're in a listening mode. I know this would  
23 not happen with either the two of you, but I remember being  
24 on a conference call like this many years ago, a Board call,  
25 and one of the members actually fell asleep and was snoring



1 so loudly -- that would not happen, of course -- that we  
2 ultimately had to cancel the call and restart it because  
3 there was no way to reach and we couldn't talk over the  
4 snoring, but I know that would not happen. Steve and  
5 Gwynne, you're going to be on the edge of your seat in rapt  
6 attention, and I don't think that would, we have any risk of  
7 that happening whatsoever.

8 MR. WILBURN: As long as you're chairing the  
9 meeting, Chairman, I'm sure then there'll be no snoring.

10 MR. HOCHBERG: So what we're going to do today is  
11 a couple of things: one, have a chance to meet each other  
12 as the Board, also meet members of the senior staff -- we're  
13 going to introduce them shortly -- talk briefly about what  
14 are the Advisory Committee's roles and responsibilities.  
15 We'll go over a review of what we've accomplished this year  
16 and then why we have this committee, there's a purpose for  
17 it, and then, also, just some housekeeping items -- I don't  
18 know why they're always called housekeeping items, but  
19 they're called housekeeping items -- in terms of legal  
20 requirements and notice and so forth. So we're going to do  
21 all that.

22 As I mentioned, Governor Gregoire just could not  
23 join us; so I'm going to sort of thank her in a virtual way.  
24 Hopefully she might hear my voice someplace in Chicago  
25 today, but that's why I am, as I said, I'm facilitating it.

1           So let me introduce a few people here at the Bank,  
2 and then we're going to go on with the committee members.  
3 Let me first begin, actually, with Sean Mulvaney, who's  
4 sitting right here at the table. Sean Mulvaney is a  
5 director of the Bank, appointed by President Obama, has been  
6 serving -- help me.

7           MR. MULVANEY: Since June 2011.

8           MR. HOCHBERG: All right. So it's two-and-a-half  
9 years. Okay --

10          MR. MULVANEY: Yes.

11          MR. HOCHBERG: -- we're at two-and-a-half years.  
12 So, actually, why don't I just take a pause, and Sean, if  
13 you want to just say a few words.

14          MR. MULVANEY: No, absolutely. Thank you very  
15 much, Fred. You know, just a couple of thoughts --

16          UNIDENTIFIED SPEAKER: Put your mic on.

17          MR. HOCHBERG: I just need you to put your mic on.

18          MR. MULVANEY: Yes. You know, we all serve in a  
19 continuum. There are advisory committees before us;  
20 there'll be advisory committees after us, just like there  
21 are directors before me and after me, and a couple of  
22 thoughts and advice. I mean, all of you come with great  
23 experience and specialties, and you're going to have  
24 opportunities for four meetings across a year. You know, I  
25 would encourage you to think about how you quickly absorb

1 where the Bank is in its, you know, mission and, you know,  
2 then interact, you know, in targeted areas, leveraging your  
3 experience: one-on-one meetings, you know, maybe some  
4 conference calls to allow you to drill into areas.

5           My experience with the Advisory Committee has been  
6 that the Competitiveness Report, you know, takes a lot of  
7 your time -- and Fred is going to cover that -- but that,  
8 you know, my experience in watching the Advisory Committee  
9 is that by the fourth meeting you are in a mode where you're  
10 giving more suggestions to the Bank outside the context of  
11 the Competitiveness Report. And so as you start your  
12 process now, just have your eye on that ball a little bit  
13 because that's going to be your opportunity to bring your  
14 specialty in a much greater way to the individual portfolios  
15 within Ex-Im.

16           So as you do your work now, I always find that  
17 fourth meeting, you know, actually one of the most  
18 productive ones, you know, and the last one we had was  
19 particularly productive because it was a whole lot of  
20 dialogue. So I would just throw those thoughts out as you  
21 embark on this process to help the Bank, and let me thank  
22 you for serving on the Advisory Committee.

23           MS. HOWLETT: Thank you.

24           MR. HOCHBERG: Let me actually, before I introduce  
25 anyone else, let me just echo Sean's comments, and that is,

1 this is intended to be a highly interactive, we'd like you  
2 to politely interrupt but -- so interruption is perfectly  
3 fine. If things don't make sense, my or anyone else's, this  
4 is to be conversations and less of a sort of formal process  
5 like that.

6 I don't believe Director Loui is on the line, but  
7 let me not presume that. Pat Loui?

8 (No audible response.)

9 MR. HOCHBERG: No. Okay. Pat Loui is our other  
10 Senate-confirmed Board member. She is currently in Asia.  
11 She's been in Southeast Asia, Vietnam, Indonesia, I think  
12 Malaysia, I think I've lost track, but a number of countries  
13 over a 10-day period, working on our business development  
14 there. So those of you who have not had a chance to meet  
15 her, you'll have a chance to meet her at the next Board  
16 meeting or, if you happen to be in D.C., I think, as Sean  
17 said, we're open if you'd like to come by and visit the  
18 Bank.

19 So let me introduce the other members of the team,  
20 and then I will go to the Board. So -- and just let me say  
21 one thing. We have a guest speaker, the deputy chief of  
22 staff, at 10:30. So if for some reason, Rob Nabors, if he's  
23 running early, I may just stop the meeting and we'll pick up  
24 when he leaves, and if he's running late, we'll move things  
25 forward and juggle a little bit. So let me start with Scott

1 Mulhauser, who is our, the Agency's chief of staff, joined  
2 us in May. And, Scott, if you would.

3 MR. MULHAUSER: Sure. Hi.

4 MR. HOCHBERG: Just loud.

5 MR. MULVANEY: Fred, if I could just interject one  
6 moment. You have a full agenda for the Board tomorrow, and  
7 I'm going to be in and out of this meeting.

8 MR. HOCHBERG: Yes.

9 MR. MULVANEY: So I just didn't want to -- as I  
10 work on some other issues, I'll be in and out and interact  
11 with, you know, the Advisory Board, but I just didn't want  
12 you to take it as a sign of disrespect that I'm not here the  
13 entire time. So I apologize.

14 MR. HOCHBERG: Just don't miss lunch.

15 MR. MULHAUSER: Hi, I'm Scott Mulhauser. I've met  
16 nearly all of you. I've been here about six months. I  
17 spent last year working with the Vice President, spent 12  
18 years in the Senate, including a lot of work in  
19 international trade, and it's great to meet all of you. I'm  
20 looking forward to continuing to work with the Advisory  
21 Committee. So thanks for joining us today.

22 MR. HOCHBERG: Next, C.J. Hall. Maybe if you all  
23 just run up to that mic. Oh, there, Gaurab has a mic. So  
24 C.J. is our executive vice president and chief risk officer  
25 and is about -- three weeks old?

1           MR. HALL: Three weeks. Three weeks, yes. So,  
2 anyway --

3           MR. HOCHBERG: It's off.

4           MR. HALL: -- I just wanted to point out that this  
5 is a small world because Michael Boyle and I, it turns out,  
6 served on the same ship in the U.S. Navy --

7           MR. HOCHBERG: Good God.

8           MR. BOYLE: Isn't that something?

9           MR. HALL: -- 1970s. And I haven't had an  
10 opportunity to meet all of the Advisory Board members, but  
11 I'm looking forward to doing so during the course of the day  
12 and we get to know each other better, but thank you very  
13 much.

14           MR. HOCHBERG: Next, Claudia Slacik.

15           MS. SLACIK: Hi, I'm Claudia Slacik. I'm the  
16 chief banking officer. I've been here now for about three  
17 months, almost four. I've had a long career in banking.  
18 I'm a commercial banker, and I've been doing asset-baseline  
19 data and restructuring and trade at various banks out of New  
20 York but also in London for the last 30, 35 years and had  
21 the chance to work with this group in a situation where we  
22 can help create jobs for fellow Americans. So I can't think  
23 of anything better to do with the skills I've acquired over  
24 the last couple decades. So I'm thrilled to be here. I'm  
25 thrilled to be working with you and figuring out ways where

1 we can reach more American citizens and more companies to  
2 provide those jobs.

3 MR. HOCHBERG: Great. Scott Schloegel is going to  
4 present later, but let me do a quick -- and then, actually,  
5 just to put it, just to give everybody notice, we're going  
6 to run around the room very, very fast so people know who's  
7 in the room today.

8 MR. SCHLOEGEL: Sure. Scott Schloegel, head of  
9 the Congressional Affairs Office. I've been at the Bank now  
10 for three years, did the last reauthorization for the Bank  
11 -- you'll hear more about the next one as I present later in  
12 the hour, or an hour from now -- was on the Hill for 18  
13 years, worked 14 years as chief of staff for a congressman  
14 from Michigan, also worked on the House Energy & Commerce  
15 Oversight and Investigations Subcommittee.

16 MR. HOCHBERG: Manana.

17 MS. FREYRE: I'm Angela Mariana Freyre, also known  
18 as Manana. I'm the general counsel of the Bank. I come  
19 from 20 years of private practice in New York City. I know  
20 a number of you already and look forward to meeting the  
21 balance and look forward to working with you.

22 MR. HOCHBERG: So in the interest of speed, I'm  
23 going to have you just pass the mic, and we'll just quickly  
24 have people introduce themselves. Why don't we have the --  
25 we'll go through the whole group, and since -- in the

1 interest of time, just say your name and, if you're working  
2 at Ex-Im, where; and, if you're a visitor, where, and we'll  
3 move it along like that.

4 MR. CAMM: I'm Larry Camm with Schweitzer  
5 Engineering Laboratories.

6 MR. GILSTON: Sam Gilston, I'm a reporter with  
7 Washington Tariff & Trade Letter.

8 MR. BOUWKAMP: Daryl Bouwkamp with Vermeer  
9 Corporation.

10 MR. DIMAGGIANO: Dave DiMaggiano (phonetic sp.), I  
11 work at Ex-Im in the Asset Management Division.

12 MS. BERGER: Mary Berger with Washington Trade  
13 Daily.

14 MS. LOOMIS: Erin Loomis, I'm a guest here of  
15 Mr. Boyle, and I work at Nashua Center in Nashua, New  
16 Hampshire, a nonprofit, provide services to people with  
17 disabilities. Thank you.

18 MR. REID: I'm Don Reid, Office of Inspector  
19 General, in support of the Export-Import Bank.

20 MR. COGAN: Phil Cogan, vice president of  
21 Communications at Ex-Im.

22 MR. RUBRIGHT: Hi, I'm Stephen Rubright, vice  
23 president for Congressional Affairs here at Ex-Im.

24 MR. WONG: I'm Daniel Wong (phonetic sp.) at OIG  
25 with Ex-Im.



1 MR. YEPP: Jereman Yepp (phonetic sp.), OIG,  
2 Ex-Im.

3 MS. GALDIZ: Isabel Galdiz, International  
4 Relations Division, Ex-Im.

5 MS. SCHOPP: You can't see me back here, but  
6 Carolyn Schopp. I'm the director of scheduling for the  
7 Chairman.

8 MR. HOCHBERG: We are moving upstairs in about six  
9 months. Everybody will be able to see each other once we're  
10 in the new room.

11 MR. STAIN: Robby Stain (phonetic sp.), also with  
12 the Chairman's Office.

13 MR. BROOKS: David Brooks with the Office of the  
14 Chairman.

15 MS. WALSH: Helene Walsh with the Policy Division  
16 at Ex-Im.

17 MR. MILIAN: Mauricio Milian, Office of Renewable  
18 Energy, Ex-Im.

19 MR. NASSAR: Sami Nassar with the Business Credit  
20 Division at Ex-Im.

21 MS. WILKINS: Michele Wilkins, the Policy  
22 Division, Ex-Im.

23 MR. DEBOER: Dave DeBoer, American Roll-On  
24 Roll-Off Carrier.

25 MR. REGAN: James Regan, IBC.

1 MS. SANCHEZ: Lilith Sanchez, Office of Inspector  
2 General, Ex-Im.

3 MS. CHINCHEVA: Gwanye Chinceva (phonetic sp.),  
4 Ex-Im, OIG.

5 MR. KOSCIOW: Walter Kosciow, Trade Credit  
6 Insurance Division, Ex-Im Bank.

7 MR. REILLY: I'm Dan Reilly, the senior vice  
8 president for Communications here at Ex-Im.

9 MS. THUM: Stephanie Thum, vice president of  
10 Customer Experience at Ex-Im.

11 MR. BURROWS: Jim Burrows, Small Business Group,  
12 Ex-Im.

13 MR. HOCHBERG: Okay, great. So let me, I was  
14 going to just ask our Board, particularly because we have a  
15 number of new members, including one new member and one  
16 returning member on the phone, if you could just go around,  
17 a little bit about your background briefly, what business or  
18 what your organization is, and what interest you have  
19 joining the Board, and if you're exporting -- if you're an  
20 exporter, just let people have a sense of what portion of  
21 business is exporting. So let me, I'm going to start with  
22 the shy Jenny Fulton since she's sitting on the far left,  
23 and we'll take it from there. Just put your mic on. Yes.

24 MS. FULTON: Thank you, Chairman. I'm Jenny  
25 Fulton from North Carolina and a co-owner of Miss Jenny's

1 Pickles. We are about four years old. We export to three  
2 different countries, getting ready to have a fourth. The  
3 countries are China, Canada, and the UK. It's about eight  
4 to 10 percent of our business. We really want to increase  
5 exporting and that's how I became friends with the  
6 Export-Import Bank. So, again, honored to be here. Thank  
7 you.

8 MR. BOYLE: Mike Boyle, Boyle Energy Services.  
9 We're a global energy service contractor. We commission the  
10 largest power and energy facilities, including renewables,  
11 around the world. We transition them from construction  
12 through to an operating environment, with testing and  
13 engineering, and we do it all in-house. Thank you.

14 MR. FLEISCHMANN: Alan Fleischmann, a principal at  
15 Albright Stonebridge Group. We're a global business  
16 strategy firm. We work in about 100 countries now around  
17 the world with offices in most of them, or several of them.  
18 I'm also a founder of something called ImagineNations Group,  
19 where we support entrepreneurs around the world, in the  
20 Southern Hemisphere in particular.

21 MS. DRAKE: I'm Celeste Drake, trade and  
22 globalization policy specialist for the AFL-CIO, about 57  
23 affiliates representing 13 million or so working men and  
24 women in the United States, and our interest is in promoting  
25 exports to promote good family-wage jobs in the United

1 States.

2 MR. BAKANE: I'm John Bakane, CEO of Frontier  
3 Spinning Mills, located in Sanford, North Carolina. We make  
4 cotton and blended yarns. Our customers are Hanes, Fruit of  
5 the Loom, those types of folks; our sales, 500 to \$700  
6 million, depending upon what the price of cotton is in any  
7 one year. We employ 1100 people. Eighty percent of our  
8 sales are export. The big export markets are in Central  
9 America, now growing in South America, Peru, and Chile. We  
10 also send about less than \$30 million a year of textiles to  
11 China. Thank you.

12 MS. ANDRINGA: Mary Andringa, Vermeer Corporation.  
13 We're located in Iowa. We're a 65-year-old company,  
14 family-owned. We have about 3400 team members around the  
15 world, and 30 to 35 percent of our products every year are  
16 exported. So it's -- about one-third of our folks, working  
17 in Iowa, have jobs because we export.

18 And I just also want to say that I think this is  
19 such a phenomenal emphasis for our nation to focus on how  
20 can we export and how can we add jobs, good jobs, for  
21 American citizens, because there's also a pride of our folks  
22 in the fact, when they know a machine is going to Chile or  
23 going to South Africa or going to Russia or India, to know  
24 that as Americans we still can manufacture and we can export  
25 and be proud of what we do.

1 MS. HOWLETT: My Name is Lisa Howlett. I'm sorry.  
2 My name is Lisa Howlett. I'm the CEO and president of  
3 Auburn Leather Company in Auburn, Kentucky, which is about  
4 20 miles west of Bowling Green or 60 miles north of  
5 Nashville, Tennessee, if that gives you some kind of idea of  
6 where we're located. The company is 150 years old. We do  
7 about \$20 million in sales. Ninety percent of our leather  
8 or leather laces or leather components are exported to 49  
9 different countries.

10 We do make leather from the blue-forward color  
11 into 200-plus different colors, primarily for footwear,  
12 sporting goods, particularly baseball gloves and lacrosse  
13 sticks, and we are -- we continue to grow our export market,  
14 have seen some activity of production moving from China back  
15 into the, at least this part of the, this part of the world,  
16 South America and Central America, real excited about  
17 getting to export to those countries; attended a leather  
18 industries meeting about a couple of months ago, and  
19 footwear is looking at Africa, moving from China to Africa.

20 So I'm privileged and honored to be on the  
21 committee. I was blessed the first time I called Ex-Im,  
22 felt like that there was some great opportunities out there  
23 for an American manufacturer, especially since so many  
24 American footwear brands specify our product. It was a  
25 matter of getting the funding to get there. So we're saying

1 for our 150th we are blessed beyond belief, and we are, and  
2 I thank Ex-Im for supporting us, being there to facilitate  
3 our growth, so thank you.

4 MR. HERRNSTADT: I'm Owen Herrnstadt. I'm with  
5 the Machinists and Aerospace Workers. We represent several  
6 hundred thousand workers in the manufacturing industry,  
7 representing folks in a lot of export companies like Boeing  
8 and Lockheed and John Deere and Caterpillar and a lot of  
9 SMEs as well. We're also proud affiliates of the AFL-CIO.  
10 Thanks.

11 MR. UBINAS: I'm Luis Ubinas. I just finished  
12 serving as president of the Ford Foundation, before that was  
13 a director at McKinsey, a long, long history of helping  
14 build businesses internationally, worrying a lot about the  
15 rights and well-being of American workers around the world,  
16 and I'm happy to be here with all of you.

17 MR. WEBBER: Hi, I'm Cherod Webber, president and  
18 CEO of Innovative Global Supply. We're a South  
19 Carolina-based company, distributing nutraceuticals,  
20 pharmaceutical products, medical devices, and medical  
21 supplies globally. Our market is 100 percent export. We  
22 focus on Sub-Saharan Africa, the Middle East, Eastern  
23 Europe, Southeast Asia, and I'm here to say that U.S.  
24 companies can be competitive in every market around the  
25 world.

1           I've traveled probably about 175,000 miles last  
2 year, multiple trips to Sub-Saharan Africa. We are  
3 well-received across every sector. They want American-made  
4 products, and we have to be competitive and we have to be  
5 able to get our products there, and the Ex-Im Bank's mission  
6 is vital in that. And I'm such -- and I'm so honored to  
7 serve a second term on the Advisory Committee. We are  
8 poised to do some great things. And my message is this: As  
9 a small business, you can be competitive, and we need to get  
10 the word out that small businesses have every opportunity to  
11 compete on a global market. Thank you.

12           MR. HUFBAUER: Thanks. I'm Gary Hufbauer, a  
13 senior fellow at the Peterson Institute for International  
14 Economics. My predecessor on the board was Fred Bergsten,  
15 who was the director of the Peterson Institute for many  
16 years and served, I believe, two terms on the board. Over  
17 my roughly 30 years at the Peterson Institute, I specialized  
18 in three subjects. One is trade, a lot of that, a second is  
19 economic sanctions, and a third is international taxation,  
20 and over those years we published a couple of books and  
21 several policy briefs on the Ex-Im Bank. Thanks.

22           MR. HOCHBERG: Let me go to our two Board members  
23 on the telephone.

24           MS. SHOTWELL: Hi. I'll go ahead and go first.  
25 This is Gwynne Shotwell. I'm president and chief operating

1 officer of a company called SpaceX. We build rockets and  
2 spacecraft that works with the International Space Station.  
3 About half of our customers are international. We employ  
4 about 3300 people organically and have about 600 contractors  
5 on staff, as well, helping us build launch sites and build  
6 some of the infrastructure we need.

7           The, just as background, the U.S. used to be the  
8 dominant launch provider for commercial space launch  
9 services, and then we lost that in the early nineties, and  
10 we were as low as zero percent for a number of years since  
11 then. I'm happy to report that in 2011 and 2012 SpaceX, a  
12 purely 100 percent U.S. company, won over the commercially  
13 competed launch that fit our rocket.

14           So I think we're doing great things. We started  
15 out for years -- we were years and years a small business,  
16 but we, we tipped the scales in early 2012, I believe. So  
17 we are a customer of the Bank, or our customers are  
18 customers of the Bank, and I'm happy to -- I'm happy to have  
19 been invited to join this group.

20           MR. HOCHBERG: Steve.

21           MR. WILBURN: Oh, this is Steve Wilburn, and I am  
22 president and CEO of FirmGreen, Incorporated, and FirmGreen  
23 is involved in the alternative energy business, renewable  
24 energy business. My primary focus on exporting has been  
25 with our patented and proprietary biogas upgrading system.



1           The Bank was the major causal factor for our first  
2 successful import of our product, and we were able to  
3 compete on a competitive basis with the other ECAs who were  
4 backing Linde Corporation, which is a major entity, as well  
5 as Air Liquide, another major, well established player in  
6 this industry. Without the Export-Import Bank financing, I  
7 can tell you this small company would still be a micro-small  
8 company.

9           We were fortunate enough to win the Export-Import  
10 Bank's Renewable Energy Project of the Year last year. We  
11 were very excited to receive that award. And I can just  
12 tell the, my friends that are on the Advisory Committee from  
13 last year, I just want to say hello. Sorry I couldn't be  
14 there in person because of an injury I suffered down in  
15 Brazil, but to the new members, I look forward to working  
16 with you, and to the Ex-Im staff and management and Chairman  
17 and Board members, I look forward to another year of good  
18 cooperation and feedback as a member of the Advisory  
19 Committee, also bringing clients to the Bank. And as was  
20 correctly pointed out earlier by a Board member, it's really  
21 our clients who are the clients of the Bank. Without that  
22 resource it makes it very difficult for us in the  
23 competitive global market to compete.

24           So thanks again, Chairman, for your confidence,  
25 and other Board members, for my reappointment. I look

1 forward to serving another year.

2 MR. BOYLE: Mr. Chairman, if I might --

3 MR. HOCHBERG: Yes.

4 MR. BOYLE: -- just one second? Steve?

5 MR. WILBURN: Yes.

6 MR. BOYLE: Steve, it's Mike Boyle. I found a  
7 project for you in Panama I want you to take a look at.

8 MR. WILBURN: Michael, thank you so much. I was  
9 looking forward to seeing you, and definitely give me a call  
10 at any time. In fact, I'm going to be home for a while. So  
11 my wife and family are a little happy with that, keep me  
12 from globe-trotting with this injury. So I'm reachable.  
13 Take care.

14 MR. HOCHBERG: Well, Gaurab told me I had to move  
15 to the slides at 10:05. It's 10:03. So, so far we are, we  
16 are right on schedule. One, I want to reiterate and thank  
17 everybody, as I said, returning and new members. As you can  
18 see and the reason I wanted everybody to introduce  
19 themselves, we are a highly diverse group from all over the  
20 country, from labor, from business, from think tanks, and  
21 with wide-ranging experience that we need.

22 The role of the Advisory Committee, a technical  
23 role is we will produce a Competitiveness Report -- you all  
24 have a copy at your seat -- and this is a  
25 congressional-mandated report. And, Isabel, how long have

1 we been doing this? This has been in existence 25 years?

2 MS. GALDIZ: Longer than that.

3 MR. HOCHBERG: Thirty-plus?

4 MS. GALDIZ: Since the seventies. 1971 I believe  
5 was the year.

6 MR. HOCHBERG: Okay. And so our official goal --  
7 is there a slide for that?

8 MR. BANSAL: Yeah.

9 MR. HOCHBERG: Oh, there is a slide for that. Oh,  
10 here we go, sorry. For, the official role is that -- this  
11 report is due to Congress every year in June -- your  
12 official role is to provide input, a perspective on it, and  
13 to sort of make sure that the report is accurate. The  
14 report is conducted internally with some outside resources.  
15 I'm very proud of the policy and planning staff, and since  
16 we, since last year's report -- Isabel Galdiz is now the  
17 vice president of International; why don't you just wave  
18 your hand again; Isabel will be presenting shortly -- I  
19 believe this report has gotten much, much more currency.  
20 Dan has helped in rallying in terms of getting it out there,  
21 in terms of in the conversation. It was actually cited --  
22 was it the Economist?

23 MR. REILLY: Yes.

24 MR. HOCHBERG: Cited in the Economist, and we are  
25 looking to even take it up another notch this year. We've

1 taken it up a notch in terms of survey data. Stephanie Thum  
2 -- where's Stephanie?

3 MS. THUM: Right here.

4 MR. HOCHBERG: Oh, Stephanie's also been helpful  
5 in terms of thinking about what do customers need, how are  
6 we getting this in there, but this is primarily comparing us  
7 with other export credit agencies around the world, and it  
8 becomes vitally important in terms of helping us guide our  
9 efforts here, what we need to do better. It also is a real  
10 tool that's used by Congress in evaluating and making  
11 decisions on our reauthorization.

12 So, I mean, we are -- our authorization expires in  
13 September. Scott is going to talk about that shortly, but  
14 we're going to be working hard and diligently on the  
15 reauthorization to make sure we get a good reauthorization  
16 that has enough length to it and enough expansion that, one,  
17 we send a clear message to our exporters that we are there  
18 to support their efforts to export and create jobs and,  
19 importantly, to U.S. competitors overseas, that they cannot  
20 try and buy sales because the U.S. companies don't have the  
21 financial wherewithal to compete globally with them.

22 So this report is increasingly important, and we  
23 really look forward to your input in making it a better  
24 report and a better tool. And Dan and I are cooking up a  
25 few ideas to -- a notch or two up this year, as we do every

1 year. So that's just as a quick backdrop on --

2           Now, on top of that, as Sean Mulvaney said, we're  
3 continually looking for your input. I met with the small  
4 business group this morning. We're going to have a number  
5 of committees, working groups. In the past, there were, in  
6 the environment, one, a committee that dedicated itself  
7 strictly and solely to the Competitiveness Report to make  
8 sure it's improving and accurate and reflects what's, what  
9 -- the marketplace. And, lastly, we've had a group that's  
10 worked on outreach and communications, how we can do a  
11 better job of reaching more customers in getting the message  
12 of Ex-Im out.

13           So, but I'm going to be working with Governor  
14 Gregoire on exactly the shape of those, but you might think  
15 over the next several weeks, if there's an area in  
16 particular that you'd like to be engaged in, those  
17 subcommittees are a good way, because they're only three or  
18 four people and it's a way of getting a little closer to  
19 what's going on here, in addition to the broad committee  
20 work.

21           We support -- this statistic is driven from the  
22 Bureau of Labor statistics, and it looks at the full supply  
23 chain. So since I'm sitting next to Lisa and Mary, for  
24 example, it does not just look at the labor that's in  
25 Vermeer, Ohio, but the entire supply chain, from the steel,

1 the tires, everything else that you acquire, and makes  
2 estimates based on the labor content, looking at the supply  
3 chain in different industries. So it is an estimate. And  
4 in Lisa's, you know, it's the farmers who are growing the  
5 cattle and doing the tanning, as well as just the -- as well  
6 as the people who are actually cutting them into laces in  
7 Auburn, Kentucky.

8 Just a quick note -- I don't have the precise, so  
9 maybe Isabel remembers -- if I recall, we were north of  
10 7,000 jobs per billion dollars in about 2009/2010.

11 MS. GALDIZ: I think that's right. I'm looking to  
12 Helene.

13 MS. WALSH: That sounds right, Mr. Chairman.

14 MR. HOCHBERG: Yes. I remember, it was like 7250.  
15 So there are two things I want to just call to the  
16 committee's attention. One, this is a dramatic reduction in  
17 the amount of jobs per billion dollars' worth of exports.  
18 So one thing is happening: we can be producing more and  
19 more exports; the actual number of pure jobs supported is in  
20 some way not growing as fast, but frankly, let me say,  
21 that's a very good sign. If we were creating more jobs for  
22 every billion dollars' worth of exports, we'd be coming  
23 increasingly inefficient --

24 MS. ANDRINGA: Right.

25 MR. HOCHBERG: -- and not be able to compete

1 globally. And Mary just said right, and that's exactly  
2 right. You know that if you're not able to continually find  
3 innovative ways to produce more for every labor hour,  
4 ultimately you're not going to be competitive globally.

5 MS. ANDRINGA: Right.

6 MR. HOCHBERG: So that's a very good sign, but it  
7 does also explain that sometimes the rise in manufacturing  
8 jobs may be a little slower than it appears, but that's  
9 because we're actually doing a great job. And if you look  
10 at -- two companies we work with that have had a large  
11 footprint in the past year, Ford and Boeing, have had large  
12 reductions in the amount of work labor force per billion  
13 dollars' worth of exports because digitization, better and  
14 better tools, far more computer assistance on the shop  
15 floor.

16 I was on the shop floor of Caterpillar --  
17 actually, was it -- locomotives in Muncie, Indiana, 750,000  
18 square feet and there are 315 employees. It looks like the  
19 place is on a perpetual coffee break because there's so few  
20 people who are doing it, but it does say that's how we raise  
21 wages, that's how we're able to actually be competitive  
22 globally, and we need to just make sure that we're keeping  
23 on top of that. So that's one of those trends. We  
24 supported 37.4 billion dollars' worth of exports and that  
25 grossed out to about 205,000 jobs this year.

1           Oh, I'm hitting the wrong button, sorry. That  
2 button. Give you an idea of some of the jobs last year.  
3 One is, when we last checked in with Miss Jenny's Pickles  
4 there were 12 -- how many people working there now?

5           MS. FULTON: Twelve.

6           MR. HOCHBERG: Twelve. All right. Sadara, one of  
7 the largest projects we did last year, a \$5 billion  
8 transaction, was estimated to support 18,400 jobs. At  
9 Auburn Leather, how many people are working there now?

10          MS. HOWLETT: One twenty-five.

11          MR. HOCHBERG: One twenty-five. And how many  
12 addition in the last year or so? Is that still a good  
13 number?

14          MS. HOWLETT: Probably, yeah, that's still a good  
15 number.

16          MR. HOCHBERG: Okay. Nancy Mercolino, who is on  
17 the Board, in the past, estimated that over the last four to  
18 five years she's added about -- I think she now tops out at  
19 235 jobs at that company, and they're exporting ceilings.  
20 Michael Boyle said he's opening in Doha, right, you said?

21          MR. BOYLE: Yes, sir.

22          MR. HOCHBERG: She's actually doing the, as the  
23 ceiling contract -- I did not know it was such a large  
24 contract -- but the ceiling contract for the new airport in  
25 Doha. So if anybody's been to these large airports, there's



1 a lot of ceiling there, creates a lot of good jobs here.  
2 And the last category is satellites. Gwynne mentioned how  
3 the support -- how SpaceX has won such a large number of  
4 contracts. The estimates we have is that last year we  
5 supported 60 percent of all commercial satellite exports.  
6 Our major, primary, and perhaps almost sole competitor is  
7 France. It is a real national interest in France. So  
8 there's a lot of government support behind that but that's  
9 supporting in excess of about 21,000 jobs.

10           Quick Ex-Im overview, particularly for some of our  
11 new members -- 80 percent of our work is generally long-term  
12 finance. That's dollars. That's either structured deals,  
13 also trade credit, aircraft. For the first time, project  
14 finance structured deals actually exceeded transportation.  
15 I don't know if that's a long-term trend. That's certainly  
16 a trend this year. Capital markets have been more  
17 predominant in the aircraft space, and so we've been -- more  
18 airlines have been able to finance through capital markets.  
19 And structured finance -- these are things such as, a lot of  
20 things that Michael Boyle works on, whether they're power  
21 plants or oil and gas facilities, petrochemical -- very hard  
22 to secure long-term fixed-rate funding, so that has driven a  
23 lot more business here so that they can be competitive  
24 globally. Also, I just returned, Robby Stain, we were in  
25 Japan and Korea about three weeks ago, and those two

1 countries are exceedingly competitive in that space. So  
2 we're trying to make sure that American companies don't lose  
3 market share and can go toe to toe with any of those.

4           Some of the new markets that have been very  
5 promising of late: Saudi Arabia, UAE, Australia. We've  
6 seen a real shift -- we're going to talk a little bit later  
7 -- how sectors are driving our business more and more than  
8 actually geography. And so we look at mining, for example.  
9 What we have learned, I think, in the last few years is  
10 those are very large projects, frequently require export  
11 credit agency support, whether it's --

12           MS. ANDRINGA: Uh-huh.

13           MR. HOCHBERG: -- to compete with the likes in  
14 Korea, Germany, and Japan. So those sectors are much more  
15 of a bigger driver of our business than looking at the  
16 individual economies, frequently, of different nations that  
17 we also have some focus on.

18           Just for emphasis, small business, small business,  
19 small business -- all-time high in number of transactions.  
20 So the number of transactions went up. They actually are  
21 smaller in size, which is a good sign that we're actually  
22 reaching smaller businesses, getting more small businesses  
23 to export. And, you know, my goal is to make sure that  
24 everybody who has a small business and working with us gets  
25 so large that they are no longer counted as a small business

1 and they have to go up to the medium-size category.

2 MS. HOWLETT: Where's that break?

3 MR. HOCHBERG: Well, that's a good question. It  
4 is, regrettably, it's not as simple as it should be, but it  
5 looks at each industry and makes -- looks at what the  
6 competitive factors are by industry and comes up with the,  
7 what would be small for that sector. So small in a dry  
8 cleaner versus small in a manufacturer are different. Jim,  
9 would you remember off the top of your head the new  
10 designation the SBA is putting out? It's \$15 million in  
11 retained earnings, is it? Is that right?

12 MR. BURROWS: Yeah.

13 MR. HOCHBERG: Well, SBA is working towards a  
14 simpler definition, which would say if you have \$15 million  
15 or less of retained earnings, you're a small business; if  
16 it's more, you're no longer a small business, which makes it  
17 a little easier --

18 MS. HOWLETT: Uh-huh.

19 MR. HOCHBERG: -- because you would know  
20 immediately am I small or not versus what industrial code am  
21 I in, how many employees. That's a much simpler way.

22 MS. HOWLETT: Yeah.

23 MR. HOCHBERG: Our losses are down. We report to  
24 Congress every 90 days what our default rates are, and I'm  
25 going to talk about that in a moment, but we've got, I would

1 say, careful due diligence. We have a number of people from  
2 the Inspector General's Office here that is also reviewing  
3 and evaluating whether our due diligence is sufficient  
4 enough. We also get oversight from our audit committee,  
5 from our two outside, two independent directors, Government  
6 Accounting Office.

7           So there's been a lot of attention on how we  
8 manage our portfolio. We're trying to also make sure we  
9 balance, though. We're not in business not to take risk.  
10 We just want to take prudent risk, but we're not in business  
11 -- we're in business to take risk, make loans, make loans  
12 that the private sector is uncomfortable making because of  
13 gaps in the marketplace or certain parts of geography or  
14 areas that banks pull back in, or sometimes the product  
15 categories are beyond what they like to do.

16           Some of the output from the last Competitiveness  
17 Report -- this was the report that was issued in June that  
18 reflected the previous calendar year; so it's, right now  
19 it's sort of data that's almost two years old, just to put  
20 that in perspective -- one, export credit agencies, ECAs --  
21 just, we'll throw a few more acronyms at you by the time we  
22 finish today's day -- are playing a much more significant  
23 role. In addition to Ex-Im Bank, there are approximately 59  
24 others. The last time we looked there were 59 others.  
25 There may have been a few that sprung up since then, I'm not

1 exactly sure, but most industrialized nations and a number  
2 of developing nations have them to help their exports.

3           A number of those other export credit agencies are  
4 focused on what are called the national interest. In fact,  
5 I would say, most foreign export credit agencies don't  
6 understand our way of doing business, and that is, we don't  
7 have a national interest. If GE is manufacturing in the  
8 United States, we will support them. If GE is manufacturing  
9 in Brazil and France, my view is they should go talk to the  
10 French and the Brazilians and they should support them,  
11 because we're here about jobs. We're here about supporting  
12 U.S. jobs and making sure that the exports that are made  
13 here have the support of Ex-Im Bank, if needed. Just to  
14 give you what I mean by national interest, Canada, if  
15 there's a Canadian engagement, they will be fully supportive  
16 and that may mean helping a Canadian company opening a  
17 factory abroad -- something we do not do.

18           And what I mean by coloring outside the OECD  
19 lines, there is a lot of, sort of side-bar financing, I'll  
20 call it. Sometimes it's a little, I believe it's a little  
21 wink and nod. When I was in India a few years ago, we were  
22 trying to help U.S. companies sell freight locomotives, and  
23 the Indian government received an \$8 billion 40-year loan  
24 from the Chinese -- Japanese Development Bank, one or two  
25 percent interest, 10-year grace period, and it was simply to

1 help a poorer country. Somehow, totally unrelated, six  
2 months later the Indian government bought 8 billion dollars'  
3 worth of locomotives from Japan. It's untied. It was made  
4 at a -- it's not tied to the locomotives, but it's also not  
5 unrelated. It's simply untied. You know, I don't know, in  
6 a -- if you have a family member who owns a Ford dealership  
7 and that family member is very good and generous to you,  
8 you'd probably think twice before you buy a Chevrolet. You  
9 might just not want to annoy your uncle by buying a  
10 Chevrolet if he owns the Ford dealer.

11           So that's some of the things that U.S. companies  
12 are dealing with and that's sort of outside of the realm of  
13 the OECD; that's outside of a number of the norms that we  
14 have that are sort of governed internationally, but it  
15 clearly is a factor that U.S. companies are facing  
16 increasingly.

17           The NEI. President Obama, at the, his first State  
18 of the Union, which was a year after he was elected,  
19 announced the National Export Initiative to double exports  
20 in five years. That put a couple of things: one, that has  
21 spurred strong export growth in the last, in the  
22 three-and-a-half to almost four years we're into the plan;  
23 exports are just under 50 percent, not quite at the full  
24 doubling level, although we have a year left. But I would  
25 say our estimates are about 25 states have either doubled

1 already or on their path to double, about 50 to 70 countries  
2 have either doubled or on their way to be doubling, so --  
3 and a number of sectors have doubled. It's just not doubled  
4 across the board but in many areas, and what it has also  
5 done, importantly, is, we don't talk to a member of  
6 Congress, a mayor, a governor, a chamber that is not focused  
7 on exports now.

8           So this has been a rallying cry in terms of an  
9 organizing principle, that more and more entities in  
10 business and outside are focused on how do we hit those  
11 export markets. And Jenny is certainly one of those who, if  
12 -- you know, a four-year-old company that's already  
13 exporting. I was in business for over 20 years, and we  
14 figured when we exhausted the U.S. market, then we would  
15 look at exporting, but that's not the model today and that's  
16 not the model of people sitting at this table today.

17           We're also, been an increasing focus on small  
18 businesses. I mentioned that the average-size loan is  
19 smaller. That's a really good thing, and almost more than  
20 half the loans in the small business space were less than  
21 half a million dollars. So that -- we're making sure that  
22 we reach those small businesses. And we've also had a,  
23 record results in women- and minority-owned business owners.  
24 We did more transactions than any other single year. Our  
25 total right now is 850 million, and we have some goals to

1 try and -- I won't go public yet, but we're trying to  
2 increase that to a nice good number for next year, for the  
3 year we're in.

4           Lastly, one of our congressional mandates is  
5 Sub-Saharan Africa. Just to give you a quick idea, five  
6 percent of our portfolio is in Sub-Saharan Africa. It's  
7 about one percent of the U.S. exports. So that gives you an  
8 example of we're going where the private markets don't go.  
9 We have five times the intensity there than the exports  
10 would normally indicate.

11           Super quick by the numbers, 1 million -- we have  
12 supported about, actually about 1.2 million jobs in the last  
13 five years, using those statistics I showed you earlier. We  
14 have sent to the Treasury for deficit reduction \$2 billion  
15 over that period, but more importantly, I would say, last  
16 year, 1,057,000,000. And so I don't remember; that's  
17 actually the password on my cell phone now. It's 1057,  
18 which is \$1,057,000,000 that we sent to the Treasury in one  
19 keystroke.

20           Point two six percent, this is our claims. This  
21 is what our default rate is in our portfolio. That's what  
22 we paid out, so one-quarter of one percent. Congress wants  
23 us to report every 90 days, and we have to take some  
24 remedies if it hits two percent. In some ways, our default  
25 rate is probably, is on the low side, a very low side, but



1 let's remember, we're really doing -- we got the full faith  
2 and credit. We take that seriously. Our customers take  
3 that seriously. Our aircraft portfolio is particularly  
4 strong, and so -- and we also do a very good job in terms of  
5 due diligence, asset monitoring, asset management.

6 \$48 million is actually the amount of claims we  
7 paid out last year on our portfolio, better than \$113  
8 billion, and the odd thing is we didn't net that because we  
9 actually collected from previously bad debts about \$65  
10 million. So one could actually argue we actually had a net  
11 positive in that regard; of course, the timing is slightly  
12 different.

13 And 400, that's how many people work here at Ex-Im  
14 Bank. We have about 400 employees, and I'm very proud of  
15 the work that our employees do, a number of which are here  
16 today, because that's an exceedingly strong report card for  
17 400 people. So, actually, since we have our new guests, why  
18 don't we give our employees in the room just a round of  
19 applause.

20 MS. ANDRINGA: Yes.

21 MR. HOCHBERG: Just, we recently had an off-site,  
22 and we established a number of large, sort of goals for the  
23 Agency, and they sort of fall into these categories, and  
24 there's obviously some overlap: operational excellence. We  
25 launched a project called Total Enterprise Modernization.

1 It's how that we can use automation, reduce paperwork,  
2 reduce bureaucracy, find shortcuts. We're not looking to  
3 do, we're not -- I don't want to shortchange, but I do want  
4 to find shortcuts so we can find ways that we can get a  
5 response --

6 UNIDENTIFIED SPEAKER: Uh-huh. Uh-huh.

7 MR. HOCHBERG: -- to our customers more quickly.  
8 We don't want anybody to lose an order because they're  
9 waiting for us to make a decision.

10 And risk management, this is something that C.J.  
11 and Claudia are working closely on, and that is, how we do  
12 risk management, how we evaluate that, how we get feedback  
13 to the underwriters on the front end of transactions, how we  
14 do asset monitoring so that we make that -- so we can keep  
15 on top of that. And, finally, we're always going to lose  
16 money. We're a bank. We're always going to lose money. We  
17 want to lose money when -- for, I will say, quote/unquote, a  
18 good reason. We don't want to lose money when it's  
19 something we can easily remedy.

20 And so I think our asset management and our  
21 underwriting gets better and better and stronger and  
22 stronger because we keep learning from things we've done in  
23 the past and, if we're going to make -- if we're going to  
24 make a mistake, we're going to make a different mistake.  
25 We're not going to make the same mistake because we're

1 learning and we're finding ways to continuously improve how  
2 we do our risk management and making it more comprehensive  
3 so it involves the full spectrum of transactions.

4 Small business remains a cornerstone of the  
5 business, over 90 percent of our transactions. Our small  
6 business authorizations, in dollars, fell last year. We  
7 really want to get those back on a trajectory, and Jim and  
8 Claudia and others are going to be working strongly on that  
9 in the year ahead.

10 Customer experience relates to all of these.  
11 Stephanie joined us about a year and a half ago. It's  
12 listening to our customers in terms of what do small  
13 business owners need, how we do risk management. That also  
14 takes into account the customer so we're not also hurting  
15 the customer in that process. It touches innovation, do we  
16 have to change our products --

17 UNIDENTIFIED SPEAKER: Uh-huh.

18 MR. HOCHBERG: -- or change our outreach and  
19 marketing, and if it means providing better turnaround time,  
20 that also is helping. So customers are central to all of  
21 this, and related to that is innovation. We're continually  
22 finding ways to do a better job. I see Walt Kosciow is  
23 here. We launched something called Express Insurance in his  
24 area. How many policies so far?

25 MR. KOSCIOW: Close to 800.

1           MR. HOCHBERG: Close to 800? This is where we can  
2 give an answer within five working days of up to two credits  
3 for a foreign buyer. So, like Jenny said, Jenny said  
4 earlier today that she, was her 500th customer; she said: I  
5 now sell to China, my customer was 10 days late, I didn't  
6 worry about it because it was insured and, because I gave  
7 them 60-day terms, he bought more pickles. That's exactly,  
8 this is not only -- it's a risk tool, but it's a marketing  
9 tool. If people don't have to pay you in advance, they're  
10 going to buy more. That's something we all learned with our  
11 own credit cards: you buy more; you're not actually having  
12 to lay out cash on the spot. That's particularly important  
13 if you're doing exporting.

14           So that's the -- we've had innovation in capital  
15 markets and aircraft. We've had innovation in a number of  
16 structured -- it goes throughout the Bank. It's not just  
17 small business. It's all the products that we hit.

18           So that's just a quick summary of some of the  
19 areas that we're looking to improve in the year ahead. And  
20 we are actually on schedule, but why don't I pause while we  
21 -- Rob has not shown up yet -- if there's just any comments  
22 or questions that people have. I didn't, I was hoping for  
23 -- perfect timing, my God. Mr. Nabors.

24           MR. NABORS: Yes.

25           MR. HOCHBERG: I said it's 10:30, and he's --

1 MR. NABORS: Prompt as always.

2 MR. HOCHBERG: Wow, excellent. So let me pivot to  
3 Rob Nabors. Rob is, I refer to Rob as a friend. We met  
4 through working together in this Administration. He is the  
5 deputy chief of staff for policy, has worked with us on --  
6 we had some climate work that the Bank approved at its Board  
7 meeting last Thursday. Before that he was in the -- head of  
8 legislative affairs at the White House. He's also sporting  
9 a new haircut and has offered to spend some time with us and  
10 share some perspective on what's going on with the  
11 Administration -- hopefully, he has time for a little bit of  
12 questions as well -- also has served at OMB in the Clinton  
13 administration and also worked on the Hill for a number of  
14 years.

15 Let me just make a comment. The -- to the extent  
16 that Rob has time for some questions, the questions are from  
17 the Advisory Committee. That part of the meeting is not  
18 open to the public. We have, I don't know how many members  
19 of the public here, but the questions would be just from  
20 this committee here. So let me turn it over to Rob.

21 MR. NABORS: Well, thanks, Fred, thanks for having  
22 me. I will try to keep my comments brief because I hear  
23 myself talk all the time and I'm sure there will be  
24 questions, but we have a pretty healthy agenda going forward  
25 into next year. We're anxious to get started. For the most

1 part, there really aren't any surprises or secrets. We've  
2 been talking about a number of the things that we are  
3 interested and anxious to get a jump on for a while now.

4 I think, coming right out of the, right out of the  
5 gate, we think it's hugely important to see about getting  
6 unemployment insurance extended. Unemployment insurance  
7 lapses on December 31st. There's going to be over a million  
8 people who are losing large sums of money. It will be a  
9 huge hit to the economy at a time where both individually  
10 and from a national perspective it's devastating. So we're  
11 going to see what we can do to try to, as soon as Congress  
12 gets back in, extend unemployment insurance.

13 We are also very anxious to see Congress start  
14 work on Trade Promotion Authority and the Trans-Pacific  
15 Partnership. It's something that we think will boost the  
16 economy. We -- it's something that is key to the  
17 President's second-term agenda and sort of expanding the  
18 economy there.

19 We have to, we have to get the appropriations  
20 process completed. This one is a particular bugbear of  
21 mine. The process should have ended on September 30th.  
22 We're a little bit behind, but I think, in general, we feel  
23 very good that, you know, after the vote that occurred in  
24 the Senate yesterday, we finally have a, sort of a fiscal  
25 road map. It's a small fiscal road map. I don't want to

1 exaggerate that this is somehow a deal that will solve all  
2 of our problems, but in a world in which we've been working  
3 on fiscal issues with, how do I say this diplomatically,  
4 with not as much success as we would have hoped for the last  
5 three years, any amount of progress, any type of agreement  
6 is, should be viewed as a positive thing. And, in my  
7 opinion, the most promising thing about the agreement is  
8 what it promises for the future. This is, this is the first  
9 time in, like I said, the last couple of years where I feel  
10 like we have some degree of fiscal stability. We sort of  
11 know the numbers that the government is trying to hit.  
12 We're going to -- but the road map is there for us to avoid  
13 continuing to govern by crisis, and I think if we can get  
14 into the pattern of -- if we can get back to regular order  
15 around here, that's, that's not the worst thing in the  
16 world.

17           We have to take care of a debt-ceiling increase.  
18 That'll be -- once again, we are optimistic that this, what  
19 is going on right now, bodes well for the future and that  
20 we're not going to have to stare at each other across tables  
21 again. We are prepared to do that if necessary, but at this  
22 point, we hope that it is not necessary. But if we can get  
23 past those, we can get to some of the more proactive things  
24 that we are interested in doing.

25           Probably the biggest thing that we are focused on

1 legislatively is, is immigration and trying to get  
2 immigration reform done. I think from our perspective and  
3 realistically for people who have sort of focused on these  
4 things over a series of years, it is an election year.  
5 Congress is realistically not going to be passing  
6 significant pieces of legislation going into September, and  
7 -- or even the end of July -- so what we're really going to  
8 need to do is focus as much attention and energy as we can  
9 in terms of trying to get things, like immigration, done  
10 early.

11           In addition, you'll hear us talk, going into the  
12 spring and into the summer, more and more about minimum wage  
13 and what we can do there to try to deliver on the  
14 President's desire to address inequality in the country, how  
15 can we try to see all ships rise. We think minimum wage is  
16 an important part of that. That's sort of the legislative  
17 side of things that we are looking at.

18           We have a fairly aggressive administrative,  
19 administrative action package that will take up a lot of our  
20 energy and focus as well. This summer the President  
21 announced a Climate Action Plan that has -- that Fred sort  
22 of referenced -- that goes into a great deal of specificity  
23 about things that we plan on doing over the next three  
24 years, using authorities that exist within the, within the  
25 agencies; we will continue to roll out on that. Dodd-Frank,



1 which I know a number of the people at this table are  
2 focused on, Jack Lew, CFTC, CFPB, others will continue to  
3 implement on Dodd-Frank. And I fret that there's a health  
4 care thing that we have to get right. We'll see about,  
5 we'll see about trying to get something done on that,  
6 continuing to improve on the work that we are attempting  
7 there.

8           So it will be a very busy year. It'll be busy  
9 whether we get stuff through Congress or not. We are  
10 optimistic that we can try to work with Congress going  
11 forward. So that's sort of my pitch and my view of what's  
12 going to happen now. So I'm happy to answer any questions  
13 that might be out there.

14           MR. HOCHBERG: Open this up to the committee.

15           MR. BOYLE: Sir, Mike Boyle, Boyle Energy  
16 Services, thank you for coming. When we first started with  
17 the Advisory Committee, we were directed by the Chairman  
18 that the President had pushed the NEI initiative out as a  
19 way of creating jobs through global expansion of exports of  
20 United States goods. In all of what you just said, none of  
21 that was mentioned.

22           Our job is to try to direct the expansion of that  
23 and kind of put whatever advice we can to it, and it is  
24 such, we commonly agree here that the Export Bank and SBA  
25 and some of the other programs that are tied to the NEI are

1 among the best kept secrets of the Administration and the  
2 program, and we need a better ability to broadcast that out.  
3 And we'd just like to bring it to your attention that for a  
4 very, very small investment, the United States could export  
5 and create jobs on a greater path much quicker and is a  
6 great success to the Obama administration.

7 MR. NABORS: That is a very fair statement, and  
8 Fred has been a tremendous advocate of that within the  
9 Administration. I think you will, despite the fact that I  
10 sort of breezed by it, I think you will hear the President  
11 talk more about it going into the State of the Union, into  
12 some of the other things that we'll be doing this year.

13 MR. BOYLE: His support of small business  
14 constantly comes up in the export initiative, and we'd like  
15 to just, more of it and more advancement of the Bank as his  
16 work.

17 MS. ANDRINGA: Thank you very much for coming and  
18 spending a little time with us. I'm not only a private, an  
19 owner of a company, a family-held company, but also I'm the  
20 immediate past chair of the National Association of  
21 Manufacturers. So I'm going to just put a little bit that  
22 hat on of manufacturers. First of all, we are very much  
23 with the Administration on the Trade Promotion Authority.  
24 We know that needs to be done. Exports are very, very  
25 important for manufacturers of all sizes. And also the TPP,

1 I mean, really behind that. That will be a huge -- opening  
2 some more avenues for all of us as manufacturers is huge; as  
3 well as immigration, totally with you there.

4 I just, I just want to make a point -- and I'm not  
5 into all the details myself -- but I know that the  
6 environmental guidelines, there are a few barriers there  
7 that if we can find some ways to work together with the  
8 Administration and business on that to figure out, because  
9 what we don't want is we don't want folks putting barriers  
10 up and not helping with reauthorization. I think the last  
11 time I felt like my colleagues of the NAM did a lot on the  
12 Hill to say this is an important -- we need the  
13 reauthorization of the Bank, and so just, you know, if  
14 there's a way to kind of work through some things.  
15 Actually, some things already, I think, have been done, but  
16 just from a colleague's standpoint, I would not want to see  
17 that issue become something that therefore you don't get the  
18 help from business that you need on reauthorization. And,  
19 again, I --

20 MR. HOCHBERG: You can include us in Trade  
21 Promotion Authority.

22 MR. NABORS: We could but that would be dangerous,  
23 actually, if we --

24 MS. ANDRINGA: And, again, I appreciate, also,  
25 your comments about the budget and the debt ceiling because

1 probably the one thing that can help our country move  
2 forward and have more jobs available is the certainty. So I  
3 think that's always one of the things which is maybe, you  
4 know, the biggest barrier for all of us getting more work,  
5 more jobs, is make sure of the certainty. So appreciate  
6 your work on all the budget issues.

7 MR. NABORS: Just responding to one of the points  
8 that you made, I think one of the things that the President  
9 and our chief of staff, Dennis McDonough, they're really  
10 going to make a focus on, going into the new year, is an  
11 increased emphasis on outreach. I personally believe that  
12 some of the charges of the insularity around the Obama  
13 administration are slightly exaggerated, but the reality is  
14 we can always do more talking, or we're not the, we're not  
15 the fountain of all wisdom. There's a lot of smart ideas  
16 out there. We need to --

17 MS. ANDRINGA: Uh-huh. Uh-huh.

18 MR. NABORS: -- get more of those ideas into the  
19 White House.

20 MS. ANDRINGA: Uh-huh. Uh-huh.

21 MR. NABORS: We need to, we need to be talking to  
22 more people. And so you'll see all of the senior staff --  
23 myself, Dennis, Alyssa Mastromonaco -- out there, trying to  
24 do more of that outreach --

25 MS. ANDRINGA: Uh-huh. Uh-huh.

1           MR. NABORS:  -- and building coalitions to try to  
2 get things like the reauthorizations and things like that  
3 across the finish line.  So that is one of those things that  
4 if Dennis was here, he'd say we would very much want you to  
5 hold our feet to the fire on that.  It's a commitment that  
6 we are making, and you will see us doing more outreach to  
7 everybody -- labor, business community, environmentalists.  
8 We're not always going to agree, but we're always going to  
9 be talking.  And if you find that we are not responsive, you  
10 should hold us accountable for that.  So --

11           MS. ANDRINGA:  Thank you.

12           MR. HOCHBERG:  Owen.

13           MR. HERRNSTADT:  Oh, thanks.  Thanks, Fred.  Owen  
14 Herrnstadt with the Machinists and Aerospace Workers, labor.  
15 Thanks so much for all of your work on all of this stuff.  
16 Jobs continue to be, obviously, our number one issue,  
17 particularly in the labor community.  We appreciate the  
18 policies you put forward.  I'm curious what -- what other  
19 policies do you see coming out in 2014?  We're heartened by  
20 the increase in jobs.  Obviously, for our members we've got  
21 a long way to go, six million manufacturing jobs lost, you  
22 know, since -- well, before the President took office,  
23 obviously; so we've got a good stretch to go on that.

24           We have shared with the Administration our very  
25 strong concerns over TPP, trade policy.  On that, we have

1 emphasized our concerns with trade deficits going with South  
2 Korea, a potential partner; Japan, currency issues; Vietnam,  
3 labor rights issues, human rights issues as well on that.  
4 So we'll continue to obviously look forward to sharing those  
5 concerns with you.

6 MR. NABORS: Oh, I appreciate that, and in terms  
7 of the types of things that we are looking at with regard to  
8 creating jobs, I think you'll see a continued and renewed  
9 emphasis on things like infrastructure. At some point, that  
10 is, it's getting to a point that -- when I first started in  
11 the Administration, my first job was to write the Recovery  
12 Act. I get tied into a bunch of stuff like Recovery Acts  
13 and ACA, and at some point, I'm going to be the most hated  
14 man in D.C., I think, but at that point, infrastructure was  
15 seen as being the quickest way to put people back to work,  
16 as the quickest way to get money on the street. I continue  
17 to believe that there's a group of economists that think  
18 that, but they have been joined by people who are saying,  
19 one, it's -- we're not going to be able to compete  
20 internationally unless we have an infrastructure system that  
21 continues to be the best in the world. And there's too many  
22 people who are flying to too many airports, saying our  
23 airports aren't keeping up, our domestic infrastructure is  
24 not keeping up, we have too many failing bridges, we have  
25 too many accidents, we got to, we got to do something -- we

1 got to do something about that, one. And, two, that in  
2 terms of keeping jobs in the United States, no one is going  
3 to want to keep jobs here unless they have ways to move  
4 their goods back and forth, and we don't have -- we have a  
5 system that I don't want to say that is failing, but we need  
6 to be making the investments now to make sure that we can  
7 continue to be competitive.

8           So you'll see us focusing a lot on infrastructure  
9 going into the next year, and we think we have an  
10 opportunity, with the transportation authorization bill  
11 needing to be reauthorized, to think about how we do  
12 infrastructure better, smarter. I think other things that  
13 we are going to do will be a continued emphasis on things  
14 like STEM education and making sure that between, between  
15 immigration reform and improving our schools and focusing on  
16 engineering, mathematics, others, that we are creating a  
17 workforce that really is ready for the 21st century. And  
18 we've been very proud of what's been going on with STEM. We  
19 can do more and we'll see more of that. I'm intentionally  
20 being vague because the President will want to use the State  
21 of the Union to actually lay out his further figures on  
22 jobs. So that's Rob's little State of the Union right now.

23           MR. HOCHBERG: I think Luis and then I think Al.

24           MR. NABORS: Yeah, great.

25           MR. UBINAS: First of all, let me just thank you,

1 the Administration. It always amazes me the Administration  
2 comes under criticism for not being open since it seems that  
3 Administration people are all over the country, reaching  
4 out, sharing ideas on a nearly continuous basis.

5 I want to get back to your question on immigration  
6 reform and your point that if there isn't an immigration  
7 reform bill out of this Congress in the first half of next  
8 year, there's not going to be one sometime into the next  
9 Congress. As you know, it's a tremendously important issue  
10 for small businesses, for large export sectors like  
11 agricultural, meat processing, and so on. What do you  
12 imagine will change to make it possible for something to  
13 happen in the next six months? We've seen almost no  
14 movement, it seems from the outside, in the House, nor  
15 completion everywhere else: the President's waiting to  
16 sign. What do you think will change? What is the strategy  
17 to try to get motion on that central U.S. labor force issue?

18 MR. NABORS: I think that's there's a couple of  
19 things that will potentially change the environment. One is  
20 that, and just being quite frank, the clock is running, and  
21 I think the Senate -- the Senate took action at the  
22 beginning of this year. What I said about the calendar for  
23 next year, it doesn't require an advanced degree in  
24 congressional studies to understand that the place is going  
25 to really sort of slow down; so -- and I think there's been



1 enough experienced people who have fought the immigration  
2 fight long enough to know that the longer this thing hangs  
3 out, the harder it's going to be to get done. The notion  
4 that people are going to come back a year from now, start  
5 all over and the issue will not have changed and the  
6 coalitions will not have varied, that's hard to imagine,  
7 one.

8           Two, I think that one of the things that we've  
9 seen with regard to immigration is it's -- the traditional  
10 politics around immigration have, have shared the spotlight  
11 on the reform bill along with economic politics as well, and  
12 the economics are incontrovertible. Like, it doesn't matter  
13 if it's the agricultural sector, high-tech. Across the  
14 board everybody is saying we need immigration reform in  
15 order to grow the economy. If you're talking about jobs,  
16 everybody's, everybody's list includes immigration reform.  
17 That's two.

18           I think the third thing is, as you look at the  
19 champions of immigration reform on the Hill, they realize  
20 not just the, not just the calendar, not just the clock that  
21 they are paying attention to, but the Senate has given us a  
22 road map that we haven't really had before, and there's a  
23 lot of good stuff in the bill. It doesn't take a lot to  
24 imagine, from a legislative strategy perspective, how you  
25 can take the Senate bill and how you can see, politically,

1 how you can get a very important bill through the House and  
2 the Senate during a very short window of time. Sometimes  
3 you end up with bills that, yeah, it's great that it passed  
4 the House but it's never going to make its way through the  
5 Senate. You can't actually say that with the Senate  
6 immigration bill, and I think that's hugely important.

7           There's not much work that needs to be done in  
8 order to try to get this thing across the finish line, and I  
9 think one of the things that I'm the most optimistic about  
10 is that with the agreements that we've seen in the House  
11 over the last couple of days, things like the budget, one of  
12 the biggest things that occurred with the budget is it  
13 wasn't an overwhelming Republican majority voting for the  
14 bill. It was a true bipartisan coalition that came together  
15 that sort of got the bill across the finish line.

16           It reminds me a little bit of sort of the days  
17 when Tip O'Neill was the speaker. I think people have  
18 mislearned some of those lessons by -- well, Tip O'Neill had  
19 huge Democratic majorities. He was able to get things like  
20 Social Security reform across the finish line because of  
21 that. If you actually look at what happened, half the  
22 Democratic Party walked away from him. It was -- you know,  
23 the Southern Democrats never really voted for Social  
24 Security reform. It was, it was always Tip O'Neill working  
25 with Democrats and Northeast moderate Republicans or Midwest

1 moderate Republicans.

2           You can build a coalition. I think we saw some of  
3 that coalition-building over the last week or two, and I  
4 give a great deal of credit to Patty Murray and Paul Ryan  
5 for being able to craft that type of compromise. It's a big  
6 deal, and hopefully it speaks well for things like  
7 immigration because, if people are willing to look beyond  
8 just, we need a majority of our party, you really can see a  
9 coalition being built around it.

10           MR. HOCHBERG: Let me do this: I want to be  
11 mindful of your time. There are three people who have  
12 questions. Why don't we get all the questions and you will  
13 masterfully weave an answer to all of those, just going  
14 to --

15           MR. NABORS: That feels more like a direction.

16           MR. HOCHBERG: I want to make sure everybody gets  
17 a chance, so maybe four. I start with Alan, Gary, Cherod  
18 and, I guess, Sean, and then -- well, we'll fire a few and  
19 then you can -- you can pick and choose that way.

20           MR. NABORS: Well, you know, the -- yeah, I'm only  
21 going to answer the ones I want to answer.

22           MR. HOCHBERG: Exactly. I was trying to give you  
23 that room.

24           MR. NABORS: I was going to do that anyway, but --

25           MR. HOCHBERG: Alan.

1           MR. FLEISCHMANN: Yeah, I'll do a softball version  
2 then of my question, Rob. As you know, I worked on the  
3 Obama transition, and at that point, we didn't have a lot of  
4 examples of innovation and entrepreneurship in this country  
5 that we do today. I love what you said about infrastructure  
6 before, but we have extraordinary stories of pockets of  
7 innovation that are going on in this country that are  
8 virtually unknown. I know you were talking about awareness  
9 before and trying to get the word out.

10           I'm wondering -- my first day of the committee  
11 here, so -- I'm wondering whether or not we can be helpful  
12 to you, Ex-Im Bank, and this group in helping kind of get  
13 the word out, to structure some kind of convenings to do  
14 things that would be twofold, that would identify and  
15 amplify where there really is some success that would only  
16 scale it more and then, also, to kind of get the word out  
17 that there are things like the Ex-Im Bank out there and  
18 other, other parts of the government that actually are  
19 partners with the private sector that, frankly, if only  
20 entrepreneurs knew existed, they would come to?

21           MR. NABORS: I think that would be a huge benefit  
22 to, to all of us. I think too often there's a perception  
23 that we are, we either are at war or at peace with the  
24 business community or labor or any other -- we are  
25 constantly, we are constantly working together with all of

1 these groups, and I think the more we can emphasize that and  
2 the more we can highlight some of the things that we are  
3 doing around the country, I think, at the end of the day,  
4 just gives faith to the American people that we're not all  
5 crazy and that the system isn't breaking down perpetually.

6 MR. FLEISCHMANN: And maybe it's something we can  
7 do together in the year that the Congress won't actually do  
8 too much. We may be able to pick places around the country  
9 that we could actually do convenings, do things with you,  
10 kind of highlight innovation opportunity.

11 MR. NABORS: We would love that. So whatever,  
12 whatever ideas you have we would be very interested in.

13 MR. HOCHBERG: Gary. Maybe we'll do it in rapid  
14 fire. How much time do we have? Oh, we're fine.

15 MR. NABORS: I work for you, Fred.

16 MR. HOCHBERG: Oh, okay. Take your --

17 UNIDENTIFIED SPEAKER: Oh, wow.

18 MR. HUFBAUER: Thanks very much. I applaud your  
19 emphasis on TPP and TPA and, I assume, TTIP as well. In the  
20 last 72 hours -- this is an area I follow pretty closely --  
21 I've heard a lot of skeptics who say it's not going to  
22 happen in this Administration. I want you to prove them  
23 wrong. My question is, tax reform wasn't mentioned. Do you  
24 think that's -- that's another area I follow -- do you think  
25 that's hopeless, or will this bipartisanship carry over to

1 at least a modest tax reform bill?

2 MR. NABORS: I think tax reform will happen  
3 eventually. The only question that I have is sort of the  
4 timing. People have gone through tax reform previously. It  
5 just takes a while for the system to sort of ramp up and the  
6 Treasury Department and Ways and Means and Finance to do all  
7 of the things that are necessary to get tax reform done, but  
8 it'll be a priority of the Administration. It'll be  
9 something that we're pushing early, and there's just going  
10 to be a lot of -- there's going to be a long lead time, a  
11 lot of behind-the-scenes work that needs to get done before  
12 tax reform is ready, but I think we have a willing partner  
13 in Chairman Camp and Chairman Baucus; however, we're going  
14 to see what we can get done there.

15 MR. HOCHBERG: Cherod.

16 MR. WEBBER: Hi, Cherod Webber, president,  
17 Innovative Global Supply, based out of South Carolina.  
18 Thank you for being here --

19 MR. NABORS: Of course.

20 MR. WEBBER: -- we appreciate your comments and  
21 remarks. I have a general question, basically dealing with  
22 Sub-Saharan Africa. I was fortunate enough to attend the  
23 Doing Business in Africa Forum at the White House last  
24 February. I applaud and commend your efforts, the  
25 Administration's efforts to focus on Sub-Saharan Africa.

1 Based on our studies, we see Sub-Saharan Africa to be the  
2 growth pole of the, say, global economy going into the  
3 future, and I would request that the Administration continue  
4 being aggressive and assertive in Sub-Saharan Africa to make  
5 U.S. companies more competitive there.

6 I know President Obama has a renewable energy  
7 initiative that he kicked off, which is fantastic. I would  
8 just urge you all to look across multiple sectors in  
9 Sub-Saharan Africa, health care, infrastructure as well. We  
10 have tremendous opportunities there. Our Chinese friends  
11 have a strong presence there. We started late in the ball  
12 game, but opportunities are there. I just met yesterday  
13 with the ambassador from Ghana. He's going back to -- at  
14 the end of his term in January, he will return to Ghana. He  
15 says there are open opportunities for American companies  
16 across all sectors. He wants us to be active in our  
17 approach to Sub-Saharan Africa, and again, with the support  
18 of the Administration, I think we can be extremely  
19 competitive, but we need to be there and have a presence.  
20 Again, our Chinese counterparts, they do business a  
21 different way, but I think if you give our partners a  
22 choice, they rather do business with the U.S. companies if  
23 they have that choice. So we need to increase our presence  
24 there. Thank you.

25 MR. NABORS: I think on that I can say fairly

1 definitively -- when the President went to Africa this,  
2 earlier this year, the commitments we made in Africa, many  
3 times those are things that people like me come up with.  
4 That trip was -- that trip was him. That is his vision. He  
5 understands the economics that you're talking about. We all  
6 understand these humanitarian issues facing the region for a  
7 while. I think he has a sense of the economics far beyond  
8 what people have sort of expected. He gets it and I don't  
9 think you have to worry about the commitment there.

10 MR. WEBBER: Fantastic, and if I could make one  
11 other comment, I think it's also a tremendous opportunity  
12 for bipartisan support there. My senator, Lindsey Graham,  
13 is a tremendous advocate of Africa. He's made six trips  
14 there over the last 18 months. So I think we have some  
15 great opportunities for bipartisan support there as well.  
16 Thank you, Rob.

17 MR. HOCHBERG: Jenny.

18 MS. FULTON: Thanks. I'm Jenny Fulton of Miss  
19 Jenny's Pickles. We're four years old. We export. What I  
20 didn't hear and what I want to make sure that we're not  
21 forgotten, is we're entrepreneurs. We're taking all the  
22 risk. We lost our job during the Great Recession, and we  
23 started a pickle business that now exports.

24 So with Alan's comments, you know, I don't feel  
25 like there's enough focus, or we're kind of getting lost



1 because we're, you know, start-ups, and -- there's so much  
2 opportunity out there to put American people back to work.  
3 I take phone calls every day: Hey, I want to start my own  
4 business; hey, I want to export. So I think the  
5 Administration could also focus on some potential of  
6 community kitchens, you know, people growing their food and  
7 producing a product that we can export through the Ex-Im  
8 Bank. So I just don't want to get lost. I --

9 MR. NABORS: You won't get lost --

10 MS. FULTON: Thank you.

11 MR. NABORS: -- and I think that's a great idea,  
12 and I will, I will talk to Fred and I'll talk to Gene  
13 Sperling back in our office to see what we can do about  
14 that.

15 MS. FULTON: Thank you.

16 MR. HOCHBERG: I think Director Mulvaney had --  
17 oops, last question, then we'll move on.

18 MR. MULVANEY: Yes. I just wanted to bring it  
19 back to Ex-Im a little bit and ask, make -- ask a question  
20 and make a comment, and that is, you know, are you aware of  
21 Fred's 2015 request in the President's budget, because this  
22 organization struggles a lot? You know, we have permission  
23 to spend from Congress, you know, for our program budget,  
24 for our admin budget, and we've grown tremendously over the  
25 last five years, and you know, we need investments in this

1 building.

2           So I just want to ask if you're aware of that,  
3 because, you know, Fred's in a pickle, you know. He's got  
4 to accomplish a lot with, you know, finite resources, and  
5 we've had a number of reports, IG reports, GAO reports, and  
6 we need to actually grow in staff to monitor what we're  
7 doing as well as to accomplish missions. So have you seen  
8 his 2015 request? And I'm holding back to your OMB days and  
9 those days when you worked for David Obey to try to, you  
10 know, find Fred an ally in this process.

11           MR. NABORS: I will pay Fred a compliment, and I  
12 rarely do that publicly or privately. I've been around for  
13 a long time, and there's probably not a more effective  
14 president of Ex-Im than Fred Hochberg.

15           MS. ANDRINGA: Yes.

16           MR. NABORS: So Fred and I will be talking a lot,  
17 as we go forward, about the budgets. If Sylvia Burwell was  
18 here, she'd say budgets are tough, money is tight right now.  
19 We're going to make sure that there's enough money for Ex-Im  
20 to do what Ex-Im needs to do, because one of the things that  
21 he's been most effective -- one of the things that Fred has  
22 been most effective doing within the Administration is  
23 conveying how a dollar invested in Ex-Im has exponential  
24 benefits to the economy, and as a result, everything that we  
25 are trying to do Ex-Im is central to. So a budget

1 conversation is going to be hard, but Ex-Im is not going to  
2 be left behind.

3 MR. HOCHBERG: That's a great way of ending.  
4 Thank you. I'm going to just walk Rob out, but Scott is  
5 going to pick up on the legislative and we'll keep the  
6 meeting going. So I'll be right back.

7 MS. SCHOPP: Scott, let me just figure out the  
8 server.

9 (Discussion off the record.)

10 MR. SCHLOEGEL: All right. So while we're waiting  
11 for Fred to come back, I'll get started. He knows,  
12 obviously, most of this, if not all of this already. So,  
13 again, I'm Scott Schloegel, senior VP for Congressional  
14 Affairs. I thought I would just give you a quick update,  
15 and I apologize in advance. Some of this will be a little  
16 bit of Government 101, just to make sure that you folks  
17 understand the process through which we go for our  
18 appropriations and our reauthorization. I've been described  
19 kind of as the Schoolhouse Rock bill without the  
20 personality. So I'll try to keep it interesting for you.

21 So the Congressional Affairs Office, we have three  
22 main tasks that we have to do outside of our day-to-day  
23 interactions with the Hill in monitoring and answering of  
24 questions. Those would be appropriations that we have to do  
25 each year, reauthorization, and confirmations. And the

1 appropriations aspect of it has to go through a process  
2 through which we go through subcommittee markup,  
3 full-committee markup; then it goes to the House or Senate  
4 floor. If those bills are different, they work out a  
5 conference committee.

6 In this instance, this year both the House and  
7 Senate have already passed bills out of committee but they  
8 have not gotten to the floor. I don't anticipate they will  
9 come to the floor. I think what will happen is that we'll  
10 get an omnibus, as you saw in the previous slide here, an  
11 omnibus just being one big bill that blends together a  
12 number of appropriations. My apologies to the four or five  
13 or six IG folks who are in the office -- are in the room.  
14 There's a typo on here. The Inspector General under the  
15 House in FY '14, I believe the House gave them the 5.1  
16 million also.

17 So these are the levels. You'll see on here the  
18 request that we had from the Administration that Director  
19 Mulvaney referenced. He's my favorite director today for  
20 venting his comments to Rob. The Administration had  
21 requested \$114.9 million. That's up significantly from  
22 where we are currently. Over the last two years, we've  
23 asked for increases in our appropriation level and haven't  
24 received it because we've been under CRs, continuing  
25 resolutions.

1           So 114.9 is our request. You'll see that the  
2 House has us flat at the 89.9 level and the Senate has us at  
3 125, which includes 10-and-a-half million for our  
4 renovations. So, as you know, right now we're going through  
5 renovation of the upper floors. We need 10-and-a-half  
6 million to outfit that because the renovations themselves  
7 were paid for out of the ARA money, the Recovery Act money,  
8 but we need to pay for outfitting it with desks and phones  
9 and all that good stuff. The renovation in-house, they did  
10 give us the renovation money of the 10.5. So while it is a  
11 flat administrative budget, they did provide for the, money  
12 for us to outfit and move.

13           I want to emphasize for those of you who maybe  
14 it's your first time on the Board, Ex-Im, we cover all of  
15 our expenses, all of our loan-loss reserves out of the fees  
16 and interest that we charge to our customers. So when we  
17 say that we're getting an appropriation, this is not money  
18 that's coming from Congress. This is an authorization from  
19 Congress for us to be able to use up to 89.9 or 125 or 115,  
20 depending on what we end up getting, of the money that we,  
21 that we already generate. The balance of that then goes to  
22 the Treasury and that's the 1057, the 1,057,000,000 that the  
23 Chairman mentioned in his opening statement and has as his  
24 password on the iPhone there that drives our IT folks nuts.  
25 So that's where we are right now.

1           Currently the Appropriations Committee folks,  
2 we've been having a number of discussions with them about  
3 what we can live with in each of the House and Senate  
4 committee-passed versions. We're not sure where we will end  
5 up, but I anticipate that we will have news on that in the  
6 next couple of weeks here. And they all were urged to do  
7 their Christmas shopping back in July because they knew that  
8 we'd get to this point again in the appropriations process.

9           Reauthorization being the next big thing. The  
10 process for reauthorization, as the Chairman mentioned, we  
11 expire in September, on September 30th of next year. That  
12 reauthorization process has to go through a subcommittee  
13 markup and full committee and the House. Typically in the  
14 Senate it goes right to the full committee; sometimes you'll  
15 have a subcommittee markup, and then they'll each pass their  
16 own version as we go to a conference committee, and then  
17 both the House and Senate would ratify that conference  
18 committee, or conference report.

19           Reauthorization this year, I expect that --

20           MR. HUFBAUER: Can I interrupt to ask a question?

21           MR. SCHLOEGEL: Absolutely. Absolutely.

22           MR. HUFBAUER: I was on this committee about 20  
23 years ago and things have changed, obviously.

24           MR. HOCHBERG: Thank God.

25           MR. HUFBAUER: But how does the Congress now score

1 for the debt limit purpose, since the debt limit is  
2 everybody's favorite number or least favorite number, how  
3 does it score reauthorization for debt limit purposes?

4 MR. SCHLOEGEL: We would -- I don't think that  
5 they score us for debt limit purposes on reauthorization.

6 MR. HUFBAUER: Okay.

7 MR. SCHLOEGEL: They would score if, if something  
8 that they put into our reauthorization -- for example, last  
9 time around in our reauth, the House put in some extremely  
10 broad Iran sanctions provisions that would have impacted the  
11 Bank -- in the neighborhood of 30 to 60 percent of our  
12 business we would have been prohibited from doing based off  
13 of the way that they crafted their language. They passed  
14 that out of committee, and they couldn't get a floor vote on  
15 the House bill because it was so overly broad, and in that  
16 case, it would score because then we're, you know, if Ex-Im  
17 stops producing 30 to 60 percent on a billion dollars this  
18 year, that's real money, right? So in that case, it would  
19 score.

20 MR. HUFBAUER: Uh-huh.

21 MR. SCHLOEGEL: Every year we do score in the  
22 budget process, in the appropriations process, and so they  
23 do have a scoring that they expect, in terms of what they  
24 expect Ex-Im will run in what they call negative subsidy,  
25 which is actually a profit in the private sector, as the

1 Chairman talked some.

2           Okay. So reauthorization will be a tough fight  
3 this year. Mary brought up some good points in terms of the  
4 NAM folks and their help with -- National Association of  
5 Manufacturers -- they, the Chamber, Labor have all been very  
6 helpful with us in reauthorization, and we appreciate the  
7 activities that they've done. We anticipate this year will  
8 be a very difficult, or next year will be a very difficult  
9 reauthorization because there is a vocal minority out there  
10 that just thinks the Bank should not exist. They figure  
11 that since the Bank is turning a profit, that's something  
12 that the private sector should be able to do and we wouldn't  
13 need the Bank, which is --

14           MS. SHOTWELL: Could you share which members are  
15 not supportive?

16           MR. SCHLOEGEL: Well, they're -- the chairman of  
17 the full committee that we need to be reauthorized through  
18 in the House.

19           MR. HOCHBERG: Just to name one.

20           MR. SCHLOEGEL: Yes. Chairman Jeb Hensarling, who  
21 is from Texas, he chairs the House Financial Services  
22 Committee. He is, has said it's time to exit Ex-Im Bank.  
23 He said that in a hearing back in June or July that we had  
24 that Chairman Hochberg was at. There are -- there were 93  
25 Republicans in the House who voted against our



1 reauthorization last time. All Democrats who voted voted  
2 for it, and the remainder of the Republicans who voted voted  
3 for it. So it is a more vocal minority, but we could get  
4 you a list of folks, if you'd like. That's Gwynne, right?

5 MS. SHOTWELL: Yeah, it is. I just want to make  
6 sure I understand. It's my understanding that Ex-Im does --  
7 I mean, you guys are positives every year. You're creating  
8 money for the --

9 MR. SCHLOEGEL: Absolutely.

10 MS. SHOTWELL: -- country, right? Or --

11 MR. SCHLOEGEL: Absolutely.

12 MS. SHOTWELL: I know Fred made a, kind of an  
13 off-the-cuff remark that we're a bank and we lose money, but  
14 it's my understanding that you guys actually make money  
15 every year --

16 MR. SCHLOEGEL: Well, we certainly have --

17 MS. SHOTWELL: -- which would cover all your  
18 costs.

19 MR. SCHLOEGEL: We have since credit reform. I  
20 think it's been about 2008. Since 2008 we have turned a  
21 profit and we have not had a direct appropriation from --

22 MR. HOCHBERG: Actually, since credit reform,  
23 which was enacted in, went into effect in '92, we have  
24 delivered to the Treasury north of \$6.3 billion above and  
25 beyond all operating costs and all, any loan losses. And,

1 Gwynne, when I only said, banks are supposed to not --  
2 supposed to have some loans that don't pay off. I don't  
3 mean that we lose money. I'm simply saying we're going to  
4 have some claims and that's natural and part of being a  
5 bank.

6 MS. SHOTWELL: Okay. All right. I appreciate  
7 that clarification. Okay. I look forward to the list,  
8 which seems silly to me, but I'm new to the committee.

9 MR. SCHLOEGEL: It seems silly to a lot of folks.  
10 So you're --

11 MR. HOCHBERG: Even old people on the committee.

12 MR. SCHLOEGEL: -- you're certainly not in the  
13 minority on that, Gwynne.

14 MS. SHOTWELL: Okay.

15 MR. SCHLOEGEL: So I anticipate it will be a  
16 difficult journey this time around, and our numbers have  
17 been very good. I mean, they are down in terms of our small  
18 business, but our small business percentage, as a  
19 percentage, is up a little bit. The number of small  
20 businesses that we worked with and financed last year is at  
21 a record number. So those are positive things that we've  
22 had, and obviously, the negative subsidy that we sent to  
23 Treasury was also at a record level. So it will be a bit of  
24 a slog, but I think we can get through it.

25 MR. FLEISCHMAN: Can I ask a question?

1 MR. SCHLOEGEL: Sure, yep, go ahead.

2 MR. FLEISCHMAN: Are we limited at all on this  
3 committee to be able to reach out to members of Congress?

4 MR. SCHLOEGEL: You are able to reach out to  
5 members of Congress certainly in your individual capacity.  
6 I would need to ask our general counsel whether you can do  
7 it as an official Advisory Committee member or not to  
8 advocate it.

9 MS. FREYRE: The Bank is not allowed to ask you to  
10 lobby on its behalf.

11 MR. FLEISCHMANN: Okay.

12 MR. SCHLOEGEL: Mike.

13 MR. BOYLE: Does the political nature of the  
14 reauthorization hinder the Bank's ability for national  
15 communication because of its -- it wants to keep a lower  
16 profile during the reauthorization period? For instance, we  
17 talk about the advertising ability of the Bank. Is that  
18 risky in its profile relative to the communications because  
19 the reauthorization becomes so arduous?

20 MR. SCHLOEGEL: No, I don't think so. I mean, we,  
21 we have an excellent story to tell at the Bank, and I don't  
22 think we're shy in the least about getting out to tell it.  
23 And we've met with -- the Chairman and I were in with  
24 Chairman Hensarling, you know, an opponent of the Bank, but  
25 we were in with him and explained to him, hey, look, you

1 know, this is what Ex-Im has been doing, and he said, well,  
2 that's great, you know, Fannie and Freddie were fine before  
3 they weren't, FHA was fine before they weren't, Ex-Im is  
4 fine until they're not. But, as we pointed out to the  
5 chairman, you know, those all occurred during the worst  
6 recession since the Great Depression --

7 MR. BOYLE: Uh-huh.

8 MR. SCHLOEGEL: -- Ex-Im came through that  
9 stronger than ever. We are extremely well reserved. The  
10 Congress put in a number of transparency provisions during  
11 the last reauthorization to ensure that we are doing  
12 additional reporting, like the default rate and Federal  
13 Register notices and things like that. So hopefully those  
14 will give, you know, any skeptics comfort in the work that  
15 we're doing here at the Bank. So we're, no, we're not --

16 MR. BOYLE: Okay.

17 MR. SCHLOEGEL: -- we're not reluctant at all to  
18 tell our message.

19 MR. BOYLE: Is there any opportunity in this  
20 discussion with the reauthorization to expand the  
21 reauthorization time frame, because it creates a negative  
22 competitiveness for us worldwide, because the continuous  
23 reauthorization directly impacts the ability of deal-making  
24 globally.

25 MR. SCHLOEGEL: Yeah, so there -- you know, we are

1 at the whim of what Congress gives us in terms of the length  
2 of our authorization. The Bank has crafted a bill that we  
3 will send through OMB, hopefully in the next week, to have  
4 them come up with the official Administration position and a  
5 bill for us to be able to send up to the Hill early part of  
6 next year.

7           We realize that the customers of the Bank need as  
8 long of an authorization as possible to ensure that, you  
9 know, they can, that we're going to be around to assist  
10 them, especially in the -- you know, small business, short  
11 term is a little bit different than the bigger structured  
12 finance projects that are coming in, and you know, people  
13 will say, gee, this is going to take me about a year or two  
14 years in order for us to get to the point of financing; if  
15 we can't rely that Ex-Im is going to be around, we may look  
16 at other ECAs to do financing through. So --

17           MR. BOYLE: Yes. Okay, thank you.

18           MR. HUFBAUER: Have you ever --

19           MR. HOCHBERG: Let me -- oh, sorry. Manana, can I  
20 just, I think -- I'm not sure you answered Alan's question.  
21 He asked, is there any limitation on their actions with  
22 members of Congress? I know our action --

23           MS. FREYRE: No.

24           MR. HOCHBERG: -- we cannot ask you to lobby --

25           MS. FREYRE: Correct.

1 MR. HOCHBERG: -- but members of the committee can  
2 do whatever they want, and they can do it and they can  
3 mention they're a committee member, right, because that's a,  
4 that's not an official -- it's not an employment. I think  
5 that was the question: Can they say --

6 MR. WEBBER: That is the question.

7 MR. HOCHBERG: -- they're on the Advisory  
8 Committee if they're meeting with a member of Congress?  
9 That was the question.

10 MS. FREYRE: They can say that they are on the  
11 Advisory Committee when they're meeting as a member of  
12 Congress, and I think it would be appropriate for them to  
13 raise the issues that they are sensitive to as committee  
14 members. We as the Bank are prohibited from --

15 MR. HOCHBERG: Requesting that.

16 MS. FREYRE: -- requesting them --

17 MR. HOCHBERG: Yes.

18 MS. FREYRE: -- to go forward and to do --

19 MR. WEBBER: Okay.

20 MS. FREYRE: -- battle on our behalf.

21 MR. FLEISCHMANN: And then a follow-up question  
22 would be, can we, can we request of you or from the folks  
23 here to give us information about outreach --

24 MS. FREYRE: Absolutely.

25 MR. FLEISCHMANN: -- and messaging and all that as

1 well?

2 MS. FREYRE: Absolutely.

3 MR. FLEISCHMANN: Okay, great. That's great.

4 MR. SCHLOEGEL: Yeah, we can't tell you who to  
5 reach out to, but we can provide, if you have -- if you give  
6 us questions of, you know, can you give us statistics and  
7 data of the Bank and things like that, we are absolutely,  
8 we're happy to do that, absolutely.

9 MR. HUFBAUER: Leaving aside Fannie and Freddie,  
10 have you got a rack up of the negative subsidy and the  
11 loan-loss figures of Ex-Im Bank against all the other, you  
12 know, credit agencies of the government, rurals, and so  
13 forth and so on?

14 MR. SCHLOEGEL: Against the U.S. government --

15 MR. HUFBAUER: No. The U.S. government supports  
16 all sorts of bodies, world cooperatives and what have you,  
17 you know, doing, in the credit business. And what I'm  
18 wondering is whether you have kind of a scorecard which  
19 compares Ex-Im performance, the loan loss and the negative  
20 subsidy, over a period of time against these other agencies  
21 which are, you know, similar in the sense that they're in  
22 the credit business?

23 MR. SCHLOEGEL: We have not done that, but it's a  
24 good suggestion, and we -- absolutely, it's something for us  
25 to look into. I'll take the moment to introduce Stephen

1 Rubright, who introduced himself a little bit earlier, but  
2 I'm sure he's taking that down as we speak, and we'll pull  
3 that together. Cherod.

4 MR. BOYLE: One last question on --

5 MR. WEBBER: Going back to the being an advocate  
6 and lobbying the Hill on behalf of the Bank, have you all  
7 considered a structured, say, relationship with the United  
8 States Global Leadership Coalition? You know, they meet  
9 annually and then they go on the Hill and they meet with --  
10 they form groups of lobbyists from each state, and they  
11 usually have a list of items that they want to address with  
12 their congressman and senators. That could be a great  
13 opportunity to have a structured way that you can elicit the  
14 support of businesses and nonprofits to go on the Hill and  
15 lobby on behalf of the Bank.

16 I was able to participate with that group last  
17 year, and they do an excellent job in terms of their  
18 structure. And they have a state office and a state  
19 chairperson, and they're very assertive when they go up on  
20 the Hill.

21 MR. SCHLOEGEL: Great.

22 MR. WEBBER: That's something you may want to  
23 consider.

24 MR. SCHLOEGEL: We certainly would, you know -- we  
25 have not worked with them in the past, but I would be more



1 than happy to work with them to provide them whatever  
2 information that they need. We can't go up and -- we can't  
3 ask them to go up --

4 MR. WEBBER: Absolutely.

5 MR. SCHLOEGEL: -- and advocate on our behalf, but  
6 other members who are, you know, other folks who are members  
7 of that, if that's what the --

8 MR. WEBBER: Absolutely.

9 MR. SCHLOEGEL: -- leadership folks want to do,  
10 then that's certainly --

11 MR. WEBBER: Yes. Okay.

12 MR. SCHLOEGEL: -- within their right.

13 MR. BOYLE: One very --

14 MR. SCHLOEGEL: Yes, Mike.

15 MR. BOYLE: One quickly, Scott. In your bill that  
16 you're going to put forward next week, what is, what would  
17 the Bank's position be on what should be the reauthorization  
18 period, if not on -- what would you, I mean, obviously and  
19 definitely under, but what would be realistic?

20 MR. SCHLOEGEL: Yeah, so there are a number of  
21 things that we have to do in that reauthorization, or in the  
22 bill request, right? We need to talk about the time frame  
23 of how long the Bank will continue to have its  
24 authorization. We need to talk about our exposure cap. We  
25 need to extend the provisions for dual-use technology,

1 financing for the Advisory Committee, et cetera, et cetera.  
2 That being said, I can't get out ahead of the guy who sat in  
3 the chair ahead of me here with the Administration and tell  
4 you what our request is, because until we have the official  
5 request from OMB --

6 MR. BOYLE: Oh, I see.

7 MR. SCHLOEGEL: -- we can't divulge that, but --

8 MR. BOYLE: Yes, sir.

9 MR. SCHLOEGEL: -- suffice it to say that we, you  
10 know, we understand your concerns of --

11 MR. BOYLE: More than the current.

12 MR. SCHLOEGEL: Yeah. We certainly understand --

13 MR. BOYLE: Yes, sir.

14 MR. SCHLOEGEL: -- the need for a long-term  
15 reauthorization. Other questions on that particular issue?

16 (No audible response.)

17 MR. SCHLOEGEL: Okay.

18 MR. BOYLE: Thank you.

19 MR. SCHLOEGEL: So going on then to our Board of  
20 Directors and confirmation process, we were successful in  
21 having Chairman Hochberg confirmed earlier this year through  
22 the Senate, which was a great thing. It took the nuclear  
23 option threat the first time in order to get him through,  
24 but he passed. And Wanda Felton, our vice chair, has been  
25 through the committee process, been marked up and sent to

1 the Senate floor and has been sitting there for a few months  
2 now, awaiting a vote in the Senate, but we're hopeful that  
3 she will be approved some time, if not the end of this year,  
4 early part of next year.

5 And, lastly, this is our, the list of the folks up  
6 in Congressional Affairs and our phone number up there.  
7 Stephen brought up, and you'll see up front here, the markup  
8 of our home page, the Web page for Ex-Im, and you'll see the  
9 map of the United States down there. So if you go to our  
10 main Web page, [exim.gov](http://exim.gov), and you scroll down to the map of  
11 the United States -- thank you, Vanna.

12 MR. HOCHBERG: Vanna White.

13 UNIDENTIFIED SPEAKER: Yeah, not Vanna.

14 MR. SCHLOEGEL: You can click on your individual  
15 state or any state and see all the financing that we've done  
16 in that state. You can then also sort that by congressional  
17 district, and so there's a little drag-down button on the  
18 right when you get in there to sort by congressional  
19 district -- again, extremely helpful.

20 So if you're going in and meeting with your member  
21 of Congress and you want to know which other companies are  
22 also using Ex-Im, you can pull that data up. You can sort  
23 it by small business, minority- and women-owned, veteran  
24 businesses, and so it's an extremely helpful tool. Not  
25 everybody knows about it; so I wanted to make that pitch to

1 you, and tell all your friends and family around the  
2 holidays that they should go on there and do the same thing.

3 And then the last point is that we go out and we  
4 are doing these Global Access for Small Business forums.  
5 We've done, I think, almost 65 of them now around the  
6 country, and I think, Mike, you did one with -- did you do  
7 the one with --

8 MR. BOYLE: Last week, yeah.

9 MR. SCHLOEGEL: -- last week with Congresswoman  
10 Kuster up in New Hampshire? We appreciate that. We may be  
11 reaching out to you, to tap you, if we're in the area, to  
12 talk a little bit at one of these forums about how you can  
13 use Ex-Im and what it's done for your particular businesses.  
14 So, with that, I'm happy to answer any additional questions.  
15 All right. Thanks.

16 MR. BOYLE: Go get them.

17 MS. ANDRINGA: Just, just good work on this map  
18 thing. I mean, that's something we didn't have really in  
19 usage for the last time on reauthorization. So -- right?

20 MR. SCHLOEGEL: Yeah, we did have it on there, but  
21 we --

22 MS. ANDRINGA: But it wasn't really out there as  
23 much yet. So that's --

24 MR. SCHLOEGEL: Exactly. Exactly.

25 MS. ANDRINGA: -- so it's great. And, again, I

1 think all of us around the table have our own personal  
2 stories, and we can tell them why it's so important, the  
3 reauthorization. I'd like to see a longer time frame, too,  
4 obviously, but thank you very much.

5 MR. SCHLOEGEL: Thank you, Mary.

6 MR. HOCHBERG: One, just -- oh, Gary, sorry, go  
7 ahead. Gary.

8 MR. HUFBAUER: Well, I would guess most of the  
9 people on this committee and in the room regard Ex-Im as  
10 totally additional to exports which otherwise would've  
11 happened, but obviously, the chairman of the House Financial  
12 Services Committee and many others are skeptical. They  
13 think it's just replacing private banking. This brings me  
14 to the website that you guys just devised and the database  
15 you have, and I'm going to suggest very briefly a research  
16 methodology which could be employed to get out this  
17 question, not in an anecdotal basis, but on an econometric  
18 basis of additionality, which has been a question to the  
19 life of the Ex-Im Bank.

20 You have enough microdata there that if you got a  
21 person like my colleague Brad Jensen, who had worked with  
22 microdata, to do a, to do a study of the probability of  
23 exporting by type of company, location, and other  
24 characteristics, having or not having an Ex-Im loan, you  
25 would have a pretty powerful econometric type of research,

1 and I won't try to go into it more. I know that it's not as  
2 powerful to some people as anecdotes, but at least for a  
3 group of folk, that's a very powerful kind of analysis which  
4 is applicable given your database.

5 UNIDENTIFIED SPEAKER: That's correct.

6 MR. BOYLE: Mr. Chairman --

7 MR. WEBBER: That's a great point.

8 UNIDENTIFIED SPEAKER: Absolutely.

9 MR. BOYLE: -- from my perspective, as a small  
10 business exporter of power and energy, in New Hampshire, as  
11 a regional, sort of a non-centralized location for power and  
12 energy as, say, Charlotte or Houston, I'd be honest with  
13 you, I know of absolutely no one; no bank I couldn't treat  
14 to support me for the export credit risk that we supply  
15 without your help.

16 So, you know, the reauthorization would cripple my  
17 company such that we would be barred from exporting except  
18 on an individual, one-on-one project basis. So without the  
19 Bank's reauthorization and/or risk of it, we would be  
20 literally crippled from our export ability.

21 MR. HOCHBERG: Let me make two comments. One,  
22 we're fine on time because we're going to just cut a little  
23 into lunch hour. So -- it was a lunch hour; now it's a  
24 lunch 45. Am I correct, Gaurab?

25 MR. BANSAL: Yeah, I think we can.

1 MR. HOCHBERG: Whatever. Well, we'll be fine.

2 Let me --

3 MR. MULHAUSER: Won't say a little but not too  
4 much.

5 MR. HOCHBERG: Let me, two quick comments just to,  
6 since Mike Boyle and Mary brought that up. You know, we  
7 have, in the past, we've always asked for a longer  
8 reauthorization period, but last time we asked for four  
9 years. We were granted three, and then we used up eight  
10 months getting it. So the clock kept ticking. So -- but  
11 the Administration, to the question that Director Mulvaney  
12 asked and you asked, they have granted us an increase in our  
13 budget request to Congress every single year since President  
14 Obama has been elected. One year we were able to get  
15 additional funds out of Congress.

16 So in terms of the President and his  
17 administration, we've gotten the support for our  
18 reauthorization; in the past, we've gotten the support for  
19 our budget. That's vital because, if we don't have that,  
20 there's nothing to ask for up there. But we, so what we  
21 need to do is, one, is -- as Scott mentioned, we're working  
22 on that -- we need to present it to them and give them the  
23 safety and the space to review it and add their comments  
24 before we can go public with that, but we are looking to do  
25 this quickly.

1           Just to finish, Rob mentioned the calendar. We,  
2 you know, we're aware of an election year, and so therefore  
3 it's going to get harder as you get into the summer, and  
4 each time we have tried to calibrate an expiration for Ex-Im  
5 Bank authorization not to be an election year. There's  
6 enough going on in an election year. So I'll only leave it  
7 at that. That would be our hope, is to get away from an  
8 election year, and I'll let you do the math to figure that  
9 out.

10           And the last thing I wanted to, Gary's point is --  
11 and Scott's made this point but just to put a fine -- since  
12 our budget is called, it's scored, which means it actually  
13 goes into the deficit reduction calculation, the -- one is  
14 the way we should be running the Bank. We've been running  
15 it better and that's why, part of the reason we turned over  
16 a billion dollars' worth of profit. The other thing is, if  
17 you were to ever, quote/unquote, exit the Ex-Im Bank,  
18 actually the government starts losing money, because we make  
19 money. So that actually has sort of cut the other way. All  
20 of a sudden, then the appropriates say, oh, my God, now I  
21 have less money and I have to raise taxes or cut expenses  
22 elsewhere.

23           So, frankly, the fact that we score our budget and  
24 that we have reduced those costs of actually operating in  
25 many ways has really strengthened our case across the board.



1 And, with that, I'm going to turn it over to Isabel Galdiz,  
2 who is in our Policy and Planning Department. Isabel, how  
3 many years are you with us now?

4 MS. GALDIZ: Twenty-one.

5 MR. HOCHBERG: Twenty-one.

6 MS. ANDRINGA: Oh, wow.

7 MR. HOCHBERG: And has done an excellent job and  
8 has really been working on this for quite some time over the  
9 years. In the past, Piper Moffatt held that position for a  
10 number of years and was in charge, but Isabel has moved in  
11 quickly and has taken no time of coming up to speed and is  
12 going to present the Advisory Committee responsibilities and  
13 discuss the report a little bit.

14 MS. GALDIZ: Thank you. Thank you, Mr. Chairman.  
15 It's really my pleasure to be here in front of this Advisory  
16 Committee and to first just take this opportunity to  
17 describe in a little more detail the responsibilities you  
18 have that the Chairman has already introduced to you  
19 briefly.

20 This committee has been a very thoughtful  
21 committee and has provided very interesting and thoughtful  
22 contributions to the Competitiveness Report in the past  
23 three years that I've been doing this, this work with Piper  
24 Moffatt. I'm going to point out to you two people in this  
25 room that are going to be very helpful to me during this

1 process. One is Nicole Hutsell. Nicole, are you there?

2 MS. HUTSELL: Yes, I'm here.

3 MS. GALDIZ: So Nikki has been working directly  
4 with a contractor, a consultant that actually was brought on  
5 board as a result of the Advisory Committee work and  
6 recommendations, and with support from the Chairman and  
7 senior management here. So she is carrying on that work  
8 that is a direct result of the work of this committee. I'll  
9 also point out Julie Kalishman. She will be spearheading  
10 this report internally. So those, those two people will be  
11 working with me. You'll be hearing more from us over the  
12 course of your year.

13 I'll get directly to the description of your role.  
14 Per charter -- this is one of the few things that the  
15 charter really prescribes for us to do with respect to the  
16 Advisory Committee -- we are to submit a statement from you  
17 that includes your views on the findings of the  
18 Competitiveness Report. So your job will be to review the  
19 report and to comment on its findings.

20 Now, having said that, we don't really, let's say,  
21 take edits to the report because we go through a very  
22 comprehensive process in preparing the report, but what we  
23 do want to do at this point is to invite you to contact us,  
24 especially if you have, if you can identify either people or  
25 companies that you believe could contribute to this report.

1 Our survey is of exporters and lenders who have used Ex-Im  
2 Bank during the past year, but we invite you to give us  
3 names of people that we could include in our roundtable  
4 discussions because we do think that there's a bunch of  
5 thoughtful people there who we need to contact that maybe  
6 didn't use us in 2012 and maybe -- or 2013 -- but there's a  
7 reason for that and we need to get their views as well. So,  
8 so I wanted to put that out to you now.

9           In terms of the Competitiveness Report, what is  
10 the Competitiveness Report? Many of you are very familiar  
11 with the Competitiveness Report. It's a report card. It's  
12 an annual report card to Congress where we grade ourselves  
13 relative to the other export credit agencies. As the  
14 Chairman noted, we have Stephanie Thum who is here in our  
15 audience, vice president for the customer experience, and  
16 she is very focused on collecting information with respect  
17 to customer, customer service and Ex-Im Bank's customer  
18 service.

19           Our role here with the exporter lending service is  
20 to collect information about how we compare relative to the  
21 other ECAs. So that's actually almost, in some respects, a  
22 qualified service because not all of those users of Ex-Im  
23 Bank have direct knowledge or information about our  
24 competitors. So we worked hard to try to improve the ways  
25 we ask the questions to be able to really get at that

1 information in the Exporter and Lender Survey. We now, as a  
2 result of this new survey process that the Chairman has  
3 supported and senior managers have really supported in  
4 trying to reach out to companies, express the need for as  
5 much support as possible in responding to these survey  
6 questions, giving us their input so that we could arrive at  
7 the best assessment possible, we now improved our survey  
8 platform, put in a bunch of technical adjustments to help  
9 people through this process, and we're continuing to improve  
10 it this year.

11           This series of assessments previously, until  
12 really this Chairman, was comparing ourselves to the major  
13 ECAs, defined as the G-7 ECAs. Well, as of last year, we  
14 really expanded the base of ECAs to include the major OECD  
15 ECAs. In previous years we started to focus in on, of  
16 course, the non-OECD ECAs, the majors being China, India,  
17 and Brazil. We have tried to include information about  
18 Russia. This is very difficult given the lack of  
19 transparent data. We've appreciated contributions from  
20 members, from the committee, as well, on ideas on how to get  
21 better data from those different countries and on their  
22 programs, because it's very difficult for us to just compare  
23 ourselves on the trade numbers; we're looking really,  
24 specifically, at the export credit numbers. But to the  
25 point the Chairman made earlier, there are other programs,

1 untied financing, that fall outside the OECD realm, and  
2 we've tried to capture that information here, as well, in  
3 the report.

4 MR. HOCHBERG: Do we include Korea?

5 MS. GALDIZ: We have now included Korea, as well,  
6 within the expanded base of ECAs. Even though they're not a  
7 G-7, they're within the expanded base of ECAs, and they're  
8 certainly a major ECA this past year and next year as well.

9 So last year we earned the grade of an A, but as  
10 noted by Advisory Committee members, our Chairman in his  
11 letter to Congress, and our conclusion in the report, we  
12 need to stay vigilant to competitive challenges. And we  
13 intend to continue to evolve the report this year and zero  
14 in, as best as we can, on those other competitive pressures.

15 The Chairman noted that there are emerging  
16 programs. We're trying to get more information on those  
17 emerging programs. It comes as no surprise to people in  
18 this room that, that direct lending has become such a huge  
19 program, and all ECAs are trying to gear up capacity to  
20 either provide direct lending, work through others, other  
21 agencies to do more direct lending. We already had that  
22 tool in our toolbox; so that was one of the reasons why we  
23 were graded as an A. But we are seeing those other programs  
24 grow by leaps and bounds, and we intend to bring that  
25 information to you in next year's report.

1           We encourage you, and we can get these to you or  
2 you're welcome to go to the website and look at previous  
3 Advisory Committee members. It's the first -- first part of  
4 the report is the Advisory Committee's statement. Nelson  
5 Cunningham was very thoughtful -- three years of work with  
6 him, really has been a pleasure to engage. And we're here,  
7 and I think I can commit, we globally here at Ex-Im Bank,  
8 everyone from, you know, the senior managers, we have Jim  
9 Mahoney here from our Engineering and Environment Division,  
10 worked closely with the environmental subcommittee. I know  
11 that Mary raised concerns with respect to the NAM and the  
12 new policies we have there. We're happy to continue working  
13 with you, supporting you in any way possible. Owen  
14 Herrnstadt has worked with our policy office. Trying to  
15 give you as much information as we can is how we arrive at  
16 those assessments of our content policy, economic impact  
17 assessments, et cetera. So we stand prepared to answer your  
18 questions, give you as much information as we have  
19 available, and just know that it's an open door.

20           In terms of just an overview for the schedule,  
21 this is just the introduction to this responsibility that  
22 you have. In March we will get into your responsibilities  
23 in a little more detail. You will receive a draft report,  
24 and given the dynamics of when we receive the data and when  
25 the Bank and other agencies have an opportunity to turn a

1 draft over to you, we really are not able to get you a  
2 report until late April. It's typically been in the May  
3 time frame that we get you a draft. We will go over the  
4 draft with you in as much detail as you ask us to, and then  
5 we will have a full discussion of the draft and any  
6 questions and comments you have at your third quarterly  
7 meeting, which will be in May.

8           By the end of May, we need a final statement from  
9 you and that statement can contain dissenting views, all the  
10 views, unanimous views. So there's no reason why you need  
11 to feel limited in that statement. We will put that  
12 statement into our final report, and it needs to go to the  
13 printer by late May because the Chairman is really -- part  
14 of his effort to draw attention to this report has been that  
15 he's done this speech at the Center for American Progress  
16 and he's gone to the press with it. So Congress requires  
17 that we have this report to them by law by June 30th of  
18 2014, but since the Chairman's been here, we've always gone  
19 a little earlier with that message in that report. I assume  
20 with the reauthorization that will be our goal this year as  
21 well.

22           So thank you very much, and we look forward to  
23 working with you. Happy to take any questions.

24           MR. HUFBAUER: Just two questions. First, does  
25 any other ECA do anything comparable to this, to this

1 report? It's quite impressive. And, secondly, who gives  
2 the grade?

3 MS. GALDIZ: So no other ECA does this report, but  
4 they do read it. We got, we have some trouble getting our  
5 members in Congress to read it, but there's certainly --  
6 it's certainly wide read around the world from the questions  
7 that we, that we get.

8 The grade is really the assessment that's produced  
9 by the staff, taking into account the objective information  
10 that we have from the programs and policies of the foreign  
11 ECAs --

12 MR. HUFBAUER: Uh-huh.

13 MS. GALDIZ: -- and the information that we  
14 collect via the Exporter and Lender Survey. And so we put  
15 this into a --

16 MR. HUFBAUER: Right.

17 MS. GALDIZ: -- you know, an Excel sheet, and we  
18 arrive at a grade. Is it a purely scientific grade? No, it  
19 is not a purely scientific grade. It is our best  
20 assessment, and it is a grade of our competitiveness. So a  
21 question that's come up routinely with the Advisory  
22 Committee members is, well, for example, are you grading how  
23 effective X or Y, Z policy was in promoting this or that  
24 U.S. government goal? No, that isn't what we're grading.  
25 What we're -- for example, with respect to the environment,



1 there is a clear goal with the environment. This is an area  
2 that is near and dear to my heart. I've worked on it for  
3 many years, and there is a clear policy objective there.  
4 The grade reflects the fact that no other ECAs may or may  
5 not have these types of provisions. So that's really how  
6 the grade is arrived.

7 MR. HOCHBERG: Oh, all right.

8 MR. HERRNSTADT: I'm sorry. Thank --

9 MR. HOCHBERG: Isabel, are you going to call on  
10 people, or do you want me to? I'll let you call.

11 MS. GALDIZ: Okay, sure. Just go in order. Owen.

12 MS. DRAKE: Go ahead, Owen. Go ahead, Owen.

13 MR. HERRNSTADT: I don't want to be, you know,  
14 just protocol, right? Thank you. Just a few, a few quick  
15 points. One, as you know, we've, I think Celeste and me  
16 have been somewhat critical of the methodology used in the  
17 past to arrive at the grades. I understand that there's  
18 sort of a new survey now, something the Advisory Committee  
19 had recommended a long time -- well, a few years ago. It  
20 would be great to be able to see sort of that new survey and  
21 that new methodology sooner rather than later so that we can  
22 be more helpful to you in it. I realize you probably had to  
23 go through OMB and all that other issue, but it would be  
24 great to take a look at that, on that.

25 Two, I guess we'd reiterate our concern that, or

1 our caution that the Bank does not spend too much focus on  
2 non-financial factors, that is, public policy issues of  
3 which the Congress has reauthorized the Bank to institute,  
4 but focus on the financial factors that are within the  
5 Bank's control and which we interpret to be what Congress  
6 was looking at when they asked for the Competitiveness  
7 Report on that.

8           Three, you mentioned China and other non-OECDs.  
9 Once again, this would be an area where we would urge you to  
10 look into. It is so critical. We realize there are major  
11 barriers with you and everybody else in the world to  
12 determine what exactly is going on in China, particularly  
13 with their ECA, but we would wholeheartedly encourage you to  
14 keep up the work and to press the OECD, also, to assist in  
15 this vital information on that -- the ECA in China going,  
16 obviously, well beyond what a normal ECA would fund in terms  
17 of subsidies, illegal or whatnot, under the WTO on that.

18           And then last but not least, I do understand that  
19 there is some language from time to time on human rights  
20 issues and labor standards which the Bank does look at,  
21 looking at GSP standards and others. This is a growing,  
22 continually growing concern, particularly as we kind of move  
23 into the world of China and other places. So I would  
24 encourage the Bank to continue to look into that and maybe  
25 even contain a chapter in terms of the competitiveness

1 issues with that, looking at human rights issues or the lack  
2 thereof as a subsidy, which many OECD countries could not --  
3 could not compete with or should not.

4 MS. GALDIZ: Mary.

5 MS. ANDRINGA: Just a comment, I guess, or a  
6 question maybe. You mentioned that if we had other names  
7 of, I think, exporters or lenders, both from a survey or  
8 roundtable. Can you just give us a little more, like,  
9 what's the time frame for that and how many roundtables do  
10 you have and -- so when would we need to get that to you?  
11 As soon as possible probably?

12 MS. GALDIZ: So as soon as possible is always a  
13 safe answer --

14 MS. ANDRINGA: That's always best.

15 MS. GALDIZ: -- but the reality is --

16 MR. HOCHBERG: Not helpful, but safe.

17 MS. GALDIZ: Right. We want to reach out. If we  
18 don't get the information in time, then we can't include it  
19 in the report.

20 MS. ANDRINGA: Right.

21 MS. GALDIZ: We want to reach out. We usually  
22 rely on, you know, industry groups to help us set up some of  
23 these roundtables. We can also have them here in the Bank.  
24 So, if you have a list, you know, go ahead and send it to  
25 us.

1 MS. ANDRINGA: Okay.

2 MS. GALDIZ: We reach out at the beginning of the  
3 year. Probably, you know, January we'll reach out. We try  
4 to set a date -- by the end of this year, actually, we'll  
5 try to set a date --

6 MS. ANDRINGA: Okay.

7 MS. GALDIZ: -- for the roundtable, but we can  
8 invite to the roundtable to participate as many, you know,  
9 names of people that we have.

10 MS. ANDRINGA: Does that happen between now and  
11 March?

12 MS. GALDIZ: That will happen between now and  
13 March, yes. Yes.

14 MS. ANDRINGA: Okay. Okay.

15 MS. GALDIZ: But it cannot happen until -- the  
16 report that we are talking about here is a report for  
17 calendar year 2013, as the Chairman noted. So we won't  
18 start really collecting views until 2014.

19 MS. ANDRINGA: Got it.

20 MS. GALDIZ: If I could just say one thing with  
21 respect to Owen's, Owen's points there, we are going to have  
22 to better understand the point about the human rights  
23 chapter there because I don't think I quite understood the  
24 point you made and what you would like us to do with respect  
25 to that.

1           We, I believe we could e-mail you the survey link  
2 so you could take a look at that, and I don't know, I'm  
3 looking over at Nikki to make sure we can do that. I think  
4 we're streamlining aspects of that, but I don't see a reason  
5 why we couldn't send it to the Advisory Committee members as  
6 well. So, so stay tuned for that. Go ahead, John.

7           MR. BAKANE: Isabel, last year we talked about in  
8 our review a specific focus on the textile and apparel  
9 business to see what's going on in that focused area, and I  
10 hope that we do that this year. And if you need any help in  
11 terms of identification of any companies that are in support  
12 as an industry, we can provide it.

13           MS. GALDIZ: Okay. If you could please send us  
14 that information. I have cards here so everybody can send  
15 me that information.

16           MR. UBINAS: First of all, thanks for coming in.  
17 It's nice of you. You must be very busy. Does the report  
18 capture information that gets to the issue we were just  
19 talking about on whether or not the Bank provides unique  
20 credit? In other words, do our customers have  
21 credit-facility alternatives -- Michael made this point --  
22 because if the central question Congress is asking is, is  
23 Ex-Im Bank's role incremental to available credit or is it  
24 displacing private credit, is it taking out of the private  
25 sector profit that belongs in the private sector and turning

1 it into government revenue, that's, I think, a substantive  
2 question. And if in our surveying or if in our loan  
3 processes we can find a systematic way to answer that  
4 question, as Michael laid out very clearly and very  
5 powerfully a second ago, you know, that's, that's -- we  
6 could have a definitive answer to that kind of question.

7 MS. GALDIZ: So the answer to the question really  
8 is, is one that's not exactly the issue of the  
9 Competitiveness Report. However, I can tell you, you know,  
10 I'm -- the international relations group is in the policy  
11 group, and Jim Cruse, who heads that group up, was charged  
12 by the Board to investigate this question. There are clear  
13 competitive implications to this, this issue, because the  
14 reason for the spike in the direct loan is linked to the  
15 liquidity issues and to the abilities of commercial banks to  
16 provide long-term financing.

17 MR. UBINAS: Uh-huh.

18 MS. GALDIZ: So we actually conducted a liquidity  
19 survey/investigation, and the commercial banks that are  
20 surveyed also have participated in this separate liquidity  
21 exercise. The Chairman convened a roundtable of lenders to  
22 discuss this very point at the highest level, and now Jim  
23 will have to report back to the Congress on how the direct  
24 loan fairs against commercial bank financing and whether the  
25 Bank needs to introduce any parameters on its direct loan.

1           So we do work very closely -- he's in fact my  
2 boss, and Jim isn't here -- with the banks on both of these  
3 issues, the competitiveness issues and the  
4 potential-for-displacement issues. So to the extent that  
5 some of that is a competitive factor -- and we believe it  
6 is, and we believe that's why many countries are introducing  
7 direct-lending schemes -- we will report that here, but  
8 separately, you'll also, there'll also be other, other  
9 additional work.

10           MR. UBINAS: Thank you.

11           MS. FREYRE: I think it's also important to point  
12 out that in connection with each application, we --

13           MR. HOCHBERG: Manana, the stenographer can't hear  
14 you unless you go to a microphone.

15           MS. FREYRE: Why don't you point out that we ask  
16 the information in connection with applications.

17           MS. GALDIZ: So our general counsel was explaining  
18 that in each application we do ask applicants to provide us  
19 with information about whether commercial bank financing is  
20 available. And our head of project finance, John Schuster,  
21 who is working very closely with us on this matter, is also  
22 very vigilant in the sense of trying to express to  
23 applicants that they need to look at the commercial bank  
24 options -- well, the guarantee versus the direct loan.

25           MR. BOYLE: Do we collect ratio data on direct

1 loans for small business versus upper business levels that  
2 would show what proportion of the direct-loan financing done  
3 by the Bank would be to small business, or is that middle  
4 market and above predominantly? It would seem, but I don't  
5 know if there's any data on it.

6 MS. GALDIZ: I can check to see if there's any  
7 data. I can tell you that project finance is the program  
8 which is where the lion's share of the direct loan is  
9 happening. So it would probably be in direct support of the  
10 direct loan to small business.

11 MR. HOCHBERG: Generally, we track this. I  
12 think, when we looked -- I think our medium- and long-term  
13 loans, in general, to small businesses amount to perhaps 1  
14 billion, one-two, one-three out of the, say, 6 billion we  
15 did a year ago. I haven't looked at this year. So it's a  
16 -- the overwhelming 80-plus percent of the small business  
17 loans tend to be two years or less, working capital or  
18 insurance, such as Jenny and John, companies like that use.

19 And just on the direct loans, we're authorized to  
20 do direct or guaranteed. There's a slight preference for  
21 guaranteed because we want more banks to stay in the game,  
22 but sometimes if -- there may be reasons: a unique deal or  
23 a transaction or some foreign governments prefer a direct  
24 loan because they have different rules regarding a loan made  
25 from government to government versus bank to government.



1 But, generally, the more modest amounts, which relate to  
2 small businesses, banks are more able to handle that  
3 capacity. It tends to be the larger amounts that are,  
4 present more capacity issues on banks that call upon the  
5 direct lending, but not exclusively.

6 MR. BOYLE: Yes, sir. Thank you.

7 MR. HOCHBERG: I'm going to thank Isabel. We  
8 have -- for those on the phone, we're going to adjourn for  
9 lunch. Sorry that -- we'll give you a lunch voucher. We  
10 will reconvene at 12:45, and those on the phone can just  
11 dial in and reconnect at that time. And for those of you  
12 who are observing, come back and join us at 12:45, and for  
13 the Advisory Committee and some of the senior team, we're  
14 going to adjourn to the boardroom next door for lunch. And  
15 restrooms are all the way down the hall, just past the  
16 elevators.

17 (Whereupon, at 11:53 a.m., a luncheon recess was  
18 taken.)

19 MR. HOCHBERG: We've got actually a short rest of  
20 the meeting but important. So let me first start with  
21 Victoria Bernhardt, who is in our general counsel's office,  
22 and -- on the administrative side -- and Victoria joined us,  
23 like, two months now, is it?

24 MS. BERNHARDT: Right, September.

25 MR. HOCHBERG: September.

1 UNIDENTIFIED SPEAKER: This is when you tell us  
2 all the things we should not do.

3 MR. BOYLE: We cannot do -- not should not,  
4 cannot.

5 MS. BERNHARDT: Thank you.

6 MR. HOCHBERG: No, Victoria came on board and the  
7 government shut. What can I say?

8 MS. BERNHARDT: Wait. I was here three weeks and  
9 it shut down, but actually, you have good ethics news today.  
10 So I'm not here to bombard you with financial disclosure  
11 reports and all those other rules about what assets you may  
12 hold and what you may not. You're actually very fortunate  
13 because -- and I have to admit that I'm not a huge  
14 PowerPoint fan, so sometimes I forget to hit the clicker --  
15 anyway, so the good news is that Ex-Im Bank's Advisory  
16 Committee members are representative members, not special  
17 government employees. So that means that the federal  
18 conflict of interest rules don't apply to you.

19 Each of you have been selected to represent a  
20 particular industry or group of people. So it's expected  
21 that your participation will represent the views of others  
22 and it will represent a particular bias. That's the reason  
23 why Congress created this scheme where we have people  
24 representing a certain group versus a special government  
25 employee who would represent their views on behalf of the

1 government.

2           So while you're not subject to those rules, being  
3 a member of the Advisory Committee is still a position of  
4 public trust. So you want to make sure that you don't use  
5 your position on the Advisory Committee for your personal  
6 gain, which means misuse of your title to induce a benefit  
7 for yourself or for someone else. So anything that may  
8 create an appearance of a conflict or an unethical piece in  
9 the news that would ultimately take away from the integrity  
10 of the committee, you would want to avoid. And if you have  
11 a specific question, you can always contact the general  
12 counsel's office, and we can work with you and explain how a  
13 particular potential conflict would play out in the news,  
14 you know, and like I said, I mean, you -- you're not going  
15 to be submitting a financial disclosure report. You can  
16 still maintain your other employment. I mean, you really,  
17 it's more like what you would expect in the business world,  
18 where you want to be sure that you're not engaging in  
19 insider trading, where you're using non-public information  
20 for your own personal benefit or the benefit of someone  
21 else.

22           And the last thing that you want to remember is,  
23 if you're being interviewed, if someone is talking to you  
24 about a particular initiative and they use your name, that  
25 they don't use your title, only because we don't want it to

1 look like the Bank is endorsing that particular product or  
2 viewpoint. So does anyone have any questions?

3 (No audible response.)

4 MS. BERNHARDT: No? Okay. Well, it's nice to  
5 put a face with all of your names after reviewing all the  
6 documents. So thank you again for your service. We  
7 appreciate your willingness to share your expertise with us,  
8 and please call us if you have questions.

9 COMMITTEE MEMBERS: Thank you.

10 MS. BERNHARDT: Thank you.

11 MR. HOCHBERG: I think you have a slide with  
12 everyone's phone number.

13 MS. BERNHARDT: I do.

14 MR. HOCHBERG: Where did it go? There we go.

15 UNIDENTIFIED SPEAKER: And we will, we'll  
16 distribute that.

17 MS. BERNHARDT: Right.

18 MR. HOCHBERG: Okay, good.

19 MS. BERNHARDT: There it is.

20 MR. HOCHBERG: Okay. We now come to a moment of  
21 public comment, but the room looks bereaved of --

22 MR. MULHAUSER: Mr. Chairman, on behalf of the  
23 Bank, you're doing a great job.

24 MR. HOCHBERG: Now, the only person who did not  
25 introduce himself earlier is our IT man. I said why are you

1 hiding back there. So why don't you stand up and say who  
2 you are.

3 MR. MCLEAN: Hello. Can everyone hear? My name  
4 is Herbert McLean (phonetic sp.). I'm the (indiscernible  
5 12:52:48).

6 MR. HOCHBERG: Great.

7 UNIDENTIFIED SPEAKER: And Herbert was, stayed  
8 very late last night to help us set all of this up.

9 COMMITTEE MEMBERS: Thank you.

10 MR. HOCHBERG: It went off without a hitch.  
11 Thank you. Do we have any other comments from the public or  
12 any comments from the public? We haven't had one yet.

13 MR. MULHAUSER: Terrific. Again, just a terrific  
14 job.

15 MR. HOCHBERG: I'll just make a few closing  
16 comments and we will adjourn. One, we will look forward to  
17 working with all of you for the next nine, 10 months,  
18 whichever way you want. There'll be four meetings -- as you  
19 know, one in March. There'll be one, as Isabel mentioned,  
20 in mid-May, where we'll distribute the Competitiveness  
21 Report, solicit comments so we can meet our deadline of June  
22 30th to Congress, and we'll also prepare a speech that I  
23 have given in the past to the companies that release the  
24 report so that we can disseminate more broadly the work of  
25 the committee and what our competitive positioning is

1 vis-à-vis other export credit agencies.

2           In the middle of that time period is our annual  
3 conference. It's April 24th and 25th here in Washington.  
4 There's a save-the-date in your packet. I encourage you all  
5 to come and join us for that. It's an excellent way of,  
6 one, for those of you who are in the, specifically  
7 exporting, it's a very good way to pick up more business and  
8 meet some more leads, and those of you who are on the  
9 committee but, Gary and others who are not necessarily, it's  
10 a very good way of just getting a better understanding of  
11 what we do here at Ex-Im Bank, and working on a strong  
12 lineup of speakers and so I hope you will join us for that  
13 as well.

14           I want to just do a particular shout out, in  
15 addition to Gaurab, who you met, who is deputy chief of  
16 staff and will be the point of contact for the Advisory  
17 Committee, a lot of the work that brought us to today is --  
18 David Brooks is sitting in the back there -- David Brooks,  
19 who is exec secretary and moving on to another position at  
20 the Bank shortly; I think Carolyn Schopp went upstairs; and  
21 Phil Calabro, my assistant, who also took care of all the  
22 catering; and Niki Shepperd, who is in the communication  
23 shop, who I don't see here today but is also the point of  
24 contact when we do an event like this. So I really want to  
25 just thank the five -- one, two, three, four, five of them.

1           Last two comments I would say is, one, I was  
2 pleased that we had a record number of people who were  
3 interested, expressed interest in serving this year; so --  
4 and I feel that we have, I say this, one of the strongest  
5 committees in terms of its breadth, depth, and experience  
6 and range of experiences and size of companies that we'll be  
7 able to tap into in making this a better process and also  
8 just helping us improve the Bank's operations.

9           And then, lastly, I just would like all of you,  
10 in addition to contributing, to make sure this is a fun  
11 time. This should be an enjoyable process that is about  
12 learning but also about having a good time, meeting some  
13 people, and expanding your business perspective as a result  
14 of this. So thank you all. I want to, I have to -- I'm  
15 getting a sign. What did I leave out?

16           UNIDENTIFIED SPEAKER: The potential March  
17 meeting dates.

18           MR. HOCHBERG: Oh, yes, the exact dates. I'm  
19 sorry. We did have those March dates.

20           UNIDENTIFIED SPEAKER: We have two options --

21           MR. HOCHBERG: Yes, we will e-mail you. Frankly,  
22 I need to check with -- we'll be checking with Governor  
23 Gregoire because obviously we'd like her to chair for us and  
24 to be able to chair the meeting. We had a little scheduling  
25 -- yes, she's migrated from the governor's office to the

1 private sector. We had a little mix-up on the dates. So  
2 we're going to get those dates out, but it'll be in mid- to  
3 late March; then, as I said, there'll be one in mid-May and  
4 then back in September.

5 UNIDENTIFIED SPEAKER: And March 11, 12 or --

6 MR. HOCHBERG: We'll send you an e-mail. First  
7 we're going to work with the governor, and then if we have  
8 some flexibility, we'll share that. I'm going to try and  
9 get that out to you quickly at this point. And I think  
10 that's --

11 MR. BAKANE: Sir --

12 MR. HOCHBERG: -- that's it for today.

13 MR. BAKANE: -- subcommittees?

14 MR. HOCHBERG: Subcommittees. I mentioned last  
15 year we had small business, Competitiveness Report,  
16 environmental, which is a part of our charter, as is small  
17 business, and --

18 MR. BAKANE: Engagement.

19 MR. HOCHBERG: -- public engagement. So partly  
20 because Governor Gregoire wasn't here, we really weren't  
21 able to get a full sign-off from her as chairperson, but  
22 Gaurab was going to -- Gaurab has been in touch with her,  
23 and I mentioned -- I was with her about 10 days ago in  
24 Seattle. So I think that we'll look to wrap that up. And  
25 then as I mentioned at the start of the meeting, if you



1 would all think about areas that you would like to have a  
2 little more depth on. Those are sort of the four likely,  
3 but I, again, I don't want to prejudge our new chairperson.  
4 She may have some other thoughts, or she may want a fifth  
5 committee for all I know. So -- but that would be helpful.

6           Regardless, we will, you know, when we meet at 11  
7 o'clock, part of the reason is then, one, you can fly in and  
8 fly out that day and, two, for example, I took advantage of  
9 having, meeting with the small business owners on the  
10 committee because it was just a good way of having a good  
11 face-to-face engagement on how we can do a better job in  
12 that regard.

13           So let me just check, anything else I should do?  
14 I want to make sure I didn't leave anything out. Okay.  
15 Anyway, I really want to thank -- what's that?

16           MS. FREYRE: Happy Holidays.

17           MR. HOCHBERG: Yes, I was getting there. I was  
18 trying to get there. Again, I want to thank Gaurab, who's  
19 only here three weeks, who's jumped in with both feet on  
20 this project; and, lastly, wish everybody a great holiday, a  
21 happy holiday season. If you're in Washington, let us know  
22 and please stop by. And I have made it to a number of the  
23 companies that are here. I'm going to be seeing Jenny again  
24 in about two or three weeks, and I was out to visit Mary and  
25 Vermeer. It was actually in a blizzard of --

1 MS. ANDRINGA: Just shows your fortitude.

2 MR. HOCHBERG: Totally.

3 MS. ANDRINGA: Persistence.

4 MR. HOCHBERG: So three years ago. It'll be  
5 three years in January.

6 MS. ANDRINGA: Yeah. Yeah.

7 MR. HOCHBERG: So I look forward -- and I'll be  
8 down in North Carolina, visiting John and a lot of the  
9 textile manufacturers, coming up in, just after the  
10 holidays. So thank you again, thanks for joining us, and we  
11 look forward to working with all of you in the year ahead.  
12 I appreciate it. Thanks so much.

13 COMMITTEE MEMBERS: Thank you.

14 (Whereupon, at 12:59 p.m., the meeting was  
15 concluded.)

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Digitally signed by Wendy Campos

ELECTRONIC CERTIFICATE

DEPOSITION SERVICES, INC., hereby certifies that the attached pages represent an accurate transcript of the electronic sound recording of the proceedings before the Export-Import Bank of the United States Meeting of the Board of Directors on December 18, 2013.



December 22, 2013

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Transcriber

Date