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Export-Import Bank of the United States
Freedom of Information and Privacy Office
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Washington, D.C. 20571
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[Online Freedom of Information Act Request Form](#)

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EXPORT-IMPORT BANK
OF THE UNITED STATES

August 30, 2017

Via Electronic Mail

Re: FOIA Request # 201700127F

This is the final response to your Freedom of Information Act (FOIA) request to the Export-Import Bank of the United States (EXIM Bank). We received your request in our FOIA Office via U.S. Mail on August 16, 2017. You requested "the meeting minutes for the Advisory Committee of EXIM Bank during CY 2016."

We conducted a comprehensive search of the files within the Office of the SVP Communications, Public Affairs Division for records that would be responsive to your request. This is the component within EXIM 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 convenience, we are attaching the documents to this message as PDF files.

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.

Ex-Im Bank's FOIA regulations at 12 C.F.R.404.9 (a) state that Ex-Im Bank shall charge fees to recover the full allowable direct cost it incurs in processing request. In this instance, because the cost is below the minimum, 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.

Sincerely,

A handwritten signature in blue ink, appearing to read "David M. Sena", is written over a circular blue stamp.

David M. Sena
Chief FOIA Officer

Attachment: Responsive Documents (3 PDF files)

EXPORT-IMPORT BANK OF THE UNITED STATES

ADVISORY COMMITTEE MEETING

Wednesday, January 20, 2016

11:11 A.M.

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

PRESENT:

COMMITTEE MEMBERS:

Christine Gregoire, Chairperson
Steve Stephens, Amegy Bank
Don Nelson, Ramsgate Engineering, Inc.
Jay White, Morrison Textile Machinery Company
Celeste Drake, AFL-CIO
Sydney Thwaites, Lubricating Specialties Company
Mary Howe, Howe Corporation
Kusum Kavia, Combustion Associates, Inc.
Owen Herrnsstadt, International Association of Machinists and
Aerospace Workers
Caroline Freund, Peterson Institute for International
Economics
Bob Perciasepe, Center for Climate and Energy Solutions
Gabriel Ojeda, American Concrete Pumping Association
Tom Kiernan, American Wind Energy Association

Deposition Services, Inc.

12321 Middlebrook Road, Suite 210
Germantown, MD 20874

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info@DepositionServices.com www.DepositionServices.com

PRESENTERS:

Erin Gulick

Angela Freyre

Heidi Heitkamp

Shaun Donovan

Mark Kirk

Claudia Slacik

Julie Kalishman

P R O C E E D I N G S

MS. GREGOIRE: Good morning, everyone.

UNIDENTIFIED SPEAKERS: Good morning.

MS. GREGOIRE: Happy New Year.

UNIDENTIFIED SPEAKERS: Happy New Year.

MS. GREGOIRE: You'll all be happy to know I have absolutely nothing whatsoever to say about football except to say we'll be back.

UNIDENTIFIED SPEAKER: We'll be back.

MS. GREGOIRE: So, first of all, thanks everyone for coming, and before we begin, Mr. Chair, on behalf of all of us, we would like to say thank you to you for your leadership during what has been a very challenging time. To you and everyone associated with Ex-Im, thank you for putting up with stuff that probably no other federal agency has ever had to put up with, and as a longtime public servant, my heart goes out to what you've had to go through, but you have shown everybody your tenacity, your willingness to stay the course, to hit the ground running when it was over, and for that we are very thankful and very proud of you and everyone affiliated with Ex-Im. So congratulations on being a stellar group of people through what has been a very challenging time.

Now, to all of us, as we talked, Mr. Chair and myself, it'll be one year, I think, to the day where they

1 will see an inauguration of a new President in our country.
2 Therefore, it's kind of up to us to really, as every federal
3 agency would do, of which I'm quite familiar just having
4 done it myself, ready our successors and the next advisory
5 board to know where we've come from, know where we're headed
6 so that they can replace us and hit the ground running. So
7 we want to talk a little bit over the course of the next
8 several months, what does that look like? Is it a
9 transition document? Is it more than that? So we want to
10 think a little bit towards that.

11 One of the things we talked about is, and that the
12 day is dedicated to talking about, what did we learn through
13 the experience that we just went through, how do we educate
14 people to understand the importance of Ex-Im. So we're
15 going to have two U.S. senators who were key in the Senate
16 to bringing about reauthorization, we're going to ask them
17 specifically what should we be doing, looking towards 2019.
18 Shaun Donovan of OMB, we're going to ask him lessons learned
19 from the perspective of the White House. Those from the
20 Bank who are here, we're going to ask them. So at the end
21 of the day, I hope we have a full picture of the perspective
22 of our chair and the folks here at the Bank, the folks in
23 leadership in making reauthorization happen on the Hill and
24 at the White House.

25 Thirdly, out of concern for folks here, as we

1 asked you last night, Mr. Chair, how is everybody? How big
2 a toll did it take? How engaged are we are? Now, a couple
3 of us sat through a meeting about public engagement here in
4 the last hour, and I want you to know those people are
5 reengaged at 110, learned some valuable lessons, are
6 determined to take those lessons learned and move forward.
7 So I thought it was really heartening to see the absolute
8 commitment, dedication, spirit of moving forward, but we
9 want to hear your perspective of what toll did it take in
10 terms of customers --

11 MR. HOCHBERG: Right.

12 MS. GREGOIRE: -- and so on as well.

13 So our agenda is we need to get back to business.
14 We have our number one mandatory requirement that we've got
15 to engage again with some themes that I think the chairman
16 has put considerable thought to, and we also, just like
17 those at the Bank, need to look at what our responsibility
18 is, but we also need to be ever mindful about lessons
19 learned, how we reengage, what can we do to assist Ex-Im so
20 that they don't have to go through this exercise again when
21 reauthorization comes up in 2019.

22 So, again, thanks to everyone for joining. Happy
23 New Year, and Mr. Chair, we look forward to your remarks.

24 MR. HOCHBERG: The only problem with a great
25 exercise, it tends to be not pleasant to go through but it's

1 ultimately good for you. So I guess this was not pleasant
2 to go through but is good for us.

3 Let me just, one, thank our Chair, Chris Gregoire,
4 Governor Gregoire, for her agreeing to lead our Advisory
5 Committee for another year. She did -- she had said to me,
6 well, I'll lead you through the reauthorization. She did
7 not realize that was going to be such a long ordeal. She
8 thought it was going to happen in '14.

9 MS. GREGOIRE: I did.

10 MR. HOCHBERG: So it taught me something: If you
11 really want to end something on time, you should make it
12 date-certain as opposed to event-driven because -- so I,
13 without question, appreciate the partnership. And let me
14 also add that the Advisory Committee and the business people
15 on it were our strongest advocates. Those who currently
16 serve and those alums of this, of the Advisory Committee
17 were really some of our best and strongest voices around the
18 country.

19 We met a week or two ago, reviewing how the
20 reauthorization went, and the comment came up, there were
21 about 20 companies that were really very active, and I said,
22 well, I want to make sure I know who they are, and they
23 comment back, you do know who they are, they're either
24 current members or former members of the Advisory Committee.
25 So I just want to, from all us at Ex-Im Bank, just to thank

1 you for your great advocacy and eloquence.

2 This is an open meeting. I just want to remind
3 everybody, this is open to the public. So I'm going to just
4 go off the agenda for a minute. Can I ask, just so we know
5 who's in the audience and so forth, staff and others just to
6 quickly stand up, say who they are and if they work at
7 Ex-Im, if they don't, just so we know who's with us, so we
8 have a note, saying that. I'm going to start with Claudia
9 in the first row.

10 MS. SLACIK: Hi, good morning, Claudia Slacik, the
11 chief banking officer.

12 MR. TINSLEY: Ken Tinsley, senior VP at Credit and
13 Risk Management and acting CRO.

14 MS. FREYRE: Angela Mariana Freyre, general
15 counsel.

16 MR. RAGUSO: T.J. Raguso, Amegy Bank.

17 MR. COLE: Greg Cole (phonetic sp.),
18 (indiscernible), congratulations.

19 MS. GREGOIRE: Thank you.

20 MR. HARDY: John Hardy, CEE.

21 MR. HENDERSON: Jay Henderson, CEE.

22 MS. SCHOPP: Carolyn Schopp, deputy director of
23 Congressional & Intergovernmental Affairs.

24 MS. COLEMAN: I'm Victoria Coleman from the Office
25 of General Counsel.

1 MR. HOCHBERG: You need to speak up.

2 MS. COLEMAN: Oh, I'm Victoria Coleman from the
3 Office of General Counsel.

4 MR. HOCHBERG: Okay.

5 UNIDENTIFIED SPEAKER: Sir.

6 MR. HOCHBERG: No, everybody needs to stand up and
7 say who they are, sorry.

8 MR. GILSTON: Oh.

9 MR. HOCHBERG: I'm asking everybody in the room so
10 we know who's here.

11 MR. GILSTON: I thought you only wanted Bank --

12 MR. HOCHBERG: No. I want, no, particularly, I
13 would like -- so we all know who's in the room today.

14 MR. GILSTON: Sam Gilston, I'm editor of the
15 Washington Tariff & Trade Letter.

16 MS. THUM: I'm Stephanie Thum. I'm vice president
17 of Customer Experience at the Bank.

18 MR. WARNKE: Kevin Warnke, the Office of
19 Congressional & Intergovernmental Affairs.

20 MS. MART: I am Beth Mart (phonetic sp.), from the
21 (indiscernible) Corporation.

22 UNIDENTIFIED SPEAKER: Hi, I'm (indiscernible),
23 State Department.

24 MR. SCHLOEGEL: Scott Schloegel, chief of staff at
25 Ex-Im.

1 UNIDENTIFIED SPEAKER: (Indiscernible) from Office
2 of General Counsel.

3 MR. PARSONS: Steve Parsons in Engineering and
4 Environment.

5 MS. LOPEZ: Michelle Lopez (phonetic sp.), Office
6 of Policy and Planning.

7 MR. DEBOER: Dave DeBoer, American Roll On Roll
8 Off Carrier, U.S. Flag Fleet.

9 MR. HOCHBERG: Great.

10 MR. BEVENS: Matt Bevens, deputy chief of staff.

11 MR. STEWART: Lee Stewart, Office of Congressional
12 & Intergovernmental Affairs.

13 MS. LOCKHART: Justine Lockhart (phonetic sp.),
14 Research Library & Archives.

15 MS. MASON: Sarah Mason (phonetic sp.), Research
16 Library & Archives.

17 MS. PROPHATER: Susan Prophater, the same,
18 Library.

19 MS. PENA: Arlene Pena, Digital Engagement,
20 Communications.

21 MR. MARKS: Matt Marks (phonetic sp.), Washington
22 law clerk.

23 MS. KALISHMAN: Julie Kalishman, Policy and
24 Planning.

25 MR. PHILIPSON: Joe Philipson (phonetic sp.),

1 Communications.

2 MR. STEEN: Robert Steen (phonetic sp.), Office of
3 the Chief Financial Officer.

4 MS. SMITH: I am Crystal Smith with Information
5 Technology, the IMT Division.

6 MR. HOCHBERG: And that's how we can hear each
7 other today.

8 UNIDENTIFIED SPEAKER: (Indiscernible) from the
9 Policy and Planning Division.

10 MS. AVETT: Claire Avett, International Relations
11 Division.

12 MR. ANGIUONI: And Rick Angiuoni, director for
13 Africa at Ex-Im Bank.

14 MR. HOCHBERG: Great. Okay. Well, thank you.
15 Thank you, our guests, for joining us. We'll do our best to
16 make this lively and informative, and I also thank our staff
17 for joining us and participating in this meeting.

18 The governor made a comment also about this is the
19 2016 Competitiveness Report and the committee is going --
20 it's sort of the final one of this administration. We will
21 obviously be forming a new committee in the fall. So we did
22 some discussion over dinner about making sure we have a good
23 continuity and think about the successor of that.

24 Also, I just want to add, again, you know, the
25 primary, the reason this committee is formed and is mandated

1 by Congress is to review our Competitiveness Report, which
2 has been a critical tool, and Julie is the lead person in
3 Policy and Planning on the Competitiveness Report. We have
4 a number of people working in Communications to make it a
5 much more engaged report. It is avidly read by the other 84
6 export credit agencies around the world, but it is a very
7 good tool and is an increasingly important tool in our
8 effort to clarify the role of the Bank. The Competitiveness
9 Report was a very critical tool for that. So this work, I
10 just want to say, is increasingly important as we finish up
11 2016 and move towards 2017, '18, and obviously '19 for
12 reauthorization.

13 So there was, indeed, some harm caused by the
14 lapse, and thousands of exporters were impacted. It's hard
15 to know the full impact. I certainly do know there were
16 three specific satellite deals that were lost that -- one
17 went to Canada and two went to France -- that, because we
18 did not have financing.

19 There were some other financing projects that we
20 know more anecdotally that it was a factor that we were not
21 able to supplement or provide letters of interest to
22 exporters when they were making their bids overseas -- that
23 impact may be felt for some time -- and, of course,
24 thousands upon thousands of small businesses and, who had
25 their insurance policies or medium-term credit that was

1 truncated.

2 As I mentioned, we are authorized through 2019.
3 We have already authorized 1.7 billion dollars' worth of
4 small-business transactions in a little over a month that
5 we're back in business, which is at a faster rate than we
6 normally would because there was obviously some pent-up
7 demand and a number of lapsed policies, but we are back on
8 the road.

9 Last week we were in Florida, in the Orlando area
10 and in the Miami area, and we are continuing that. We're
11 going to do, have a business development trip to South Asia
12 and Southeast Asia coming up at the end of this week, and a
13 number of our people are now making sure that our customers
14 -- exporters, customers, banks, insurance firms know that
15 we're back in business and we're here to stay. We've got a
16 good five-year reauthorization.

17 In front of you, you have literally hot off the
18 press this -- the new ones will actually be bound, not with
19 a spiral bind, but we wanted you to get a fast copy of the
20 annual report coincidentally coming out, and a lot of other
21 commercial banks are also releasing their earnings for last
22 year.

23 This report, just to remind you, is a nine-month
24 report because we were lapsed for the last few months of the
25 year, and the 2016 report will likewise be a nine-month

1 report because we were lapsed for essentially the first
2 three months of this year. So it will close those two
3 years.

4 That notwithstanding, we supported about 109,000
5 jobs, down from the previous year -- part of that due to
6 just a reduction and probably part of that due to a shorter
7 year. We supported about 17.7 billion dollars' worth of
8 exports, also less than a year before, down by about \$10
9 billion, roughly speaking.

10 Over 3 billion, just over \$3 billion was allocated
11 authorization for small businesses, again, about 90 percent
12 of our transactions, and -- well, that's why when I said
13 we've already done 1.7 billion, last year in the nine months
14 we did 3. So we're at a fast pace for this year.

15 We report our default rate to Congress every
16 quarter. We're running just under a quarter of a percent as
17 of September 30th. We'll have the new numbers out shortly.
18 And, once again, we sent money to the taxpayers. This year
19 \$431 million, or about \$7 billion in the last 20 years, has
20 been sent to the taxpayers. That's above and beyond all
21 costs, all administrative costs, all write-offs, all
22 loan-loss reserves. That is a net-net. Those of us in
23 business, we would call that profit. The federal government
24 doesn't have the word profit. So we -- they call it
25 negative subsidy, but I call it profit. The Wall Street

1 Journal actually did call it profit. So I was quite pleased
2 that the Wall Street Journal saw it in those terms.

3 MS. GREGOIRE: I'd call it a dividend.

4 MR. HOCHBERG: A dividend. The President at the
5 State of the Union, I'm just going to read you one line that
6 I thought related uniquely, or not uniquely, but
7 particularly to Ex-Im Bank, and the President said, quote:
8 Our unique strengths as a nation -- our optimism and work
9 ethic, our spirit of discovery and innovation, our diversity
10 and commitment to the rule of law -- these things give us
11 everything we need to ensure prosperity and security for
12 generations to come.

13 And I think -- I'm probably bias -- but I thought
14 it was a really, really good speech, and I thought that that
15 -- when I thought about a number of phrases in that speech,
16 you know, we are very much at the heart of companies being
17 innovative, companies having a spirit of discovery of new
18 products, new services, hitting new markets around the world
19 where our financing can make a difference in terms of
20 winning that order or not.

21 So we, as I said, have already hit the ground
22 running. We've got teams of people going out around the
23 country, meeting with bankers. We're also, we have a
24 digital campaign where we make sure that small-business
25 owners are aware of our services, and then where there's a

1 lapse, during the lapse, we're going to restart those.
2 Mostly I'm going to be starting it now and into early next
3 month.

4 Last Monday the President nominated J. Mark
5 McWatters as an additional Board member. He would fill one
6 of the Republican seats. I think he's going to be in the
7 Bank today. I placed a call to him earlier this week, and
8 we haven't connected yet, but the key thing will be moving
9 his nomination through quickly so that we have a quorum and
10 we can really go back to the full business of the Bank and
11 supporting all-size transactions, not just those below \$10
12 million.

13 Another issue of the administration we may hear
14 from a little bit later is TPP, the Trans-Pacific
15 Partnership. We love acronyms in Washington. This covers
16 12 countries, including the United States. It is a trade
17 pact. Most importantly, it includes Japan, because if you
18 look at it, Japan and the United States are 30 percent of
19 the global economy and this -- and the other 10 nations,
20 they're another 10 percent. So it's an important trade
21 pact.

22 I know there's controversy about free-trade
23 agreements. This one looks to remedy many of the complaints
24 and shortfalls of the previous trade agreements, and I think
25 it's a very strong agreement. We've been working closely

1 with the administration on its passage.

2 I would say one other thing that I have noticed in
3 the last several months, including during the lapse, when we
4 look at the global economy, which has -- its growth rates
5 have been declined. We're now looking at around a 3, 3.1,
6 maybe 3.2 percent global growth, down from about five
7 percent. That has actually made it far more competitive.
8 We have more companies chasing fewer deals, fewer
9 transactions, and in some cases, that's why trade agreements
10 and that's why, importantly, Ex-Im may be more and more
11 important, to make sure that we're on a level playing field
12 and provide the financing, if needed, to win those
13 transactions.

14 As the governor mentioned, we're going to be
15 hearing a little later from Senator Heitkamp and Senator
16 Kirk, two of the co-sponsors in the Senate that were very
17 strong advocates for Ex-Im Bank, and in fact, it was their
18 bill -- it was modeled on the bill that Stephen Fincher
19 penned in the House and then actually became the basis of a
20 law. The Stephen Fincher bill became the Kirk-Heitkamp
21 bill, which is ultimately the reauthorization of the Bank.

22 We're also going to have Shaun Donovan here on the
23 directives about the budget ahead and the year ahead, and I
24 think that we're going to have a very interesting and
25 exciting meeting with some guest speakers. I'm going to

1 turn it back over to the governor, and I think we're going
2 to have an ethics briefing next.

3 MS. GREGOIRE: Right. So we're on a tight time
4 frame because we got started a little bit late and we only
5 have a half hour for lunch and Senator Heitkamp is on a
6 tight schedule. So we'll need to be ready by 12:15. So
7 let's go ahead and start with our ethics refresher, make us
8 more ethical, Victoria Coleman.

9 MS. COLEMAN: Good morning. Welcome back. I'm
10 Victoria Coleman from the Office of the General Counsel, and
11 I'm here just to provide a brief ethics refresher and remind
12 you that although you're not federal employees who are
13 subject to the broader ethics regulations, you are in a
14 position of public trust, which means that you cannot use
15 your position for the private gain of yourself or for
16 others. And I brought some cards; so if you ever have any
17 questions about any issues you may encounter, please feel
18 free to call, and if you have any questions today, I hope we
19 have a few minutes.

20 UNIDENTIFIED SPEAKER: No.

21 MS. COLEMAN: No? Okay.

22 MS. GREGOIRE: Please.

23 MR. KIERNAN: If I may, could you just say another
24 word about -- I just want to make sure it's clear --

25 MS. COLEMAN: Okay.

1 MR. KIERNAN: -- the private gain. Obviously, I'm
2 with the Wind Energy Association. To the extent --

3 MS. COLEMAN: Right.

4 MR. KIERNAN: -- I'm working to encourage wind
5 exports, et cetera --

6 MS. COLEMAN: Okay.

7 MR. KIERNAN: -- help me understand the line
8 there, what I can and cannot do.

9 MR. HOCHBERG: And, Victoria, could you speak
10 closer to the microphone?

11 MS. COLEMAN: Yes. Okay. Is this better? Okay.
12 So private gain would be the private gain for yourself or
13 for others. So you could think about insider trading. You
14 know, in your capacity as an Advisory Committee member, you
15 learn that a company would benefit from a contract and you
16 use that information to trade and you earn money or if you
17 told someone else about that, then that would be private
18 gain. So you're using your position here to benefit
19 yourself or someone else.

20 MR. KIERNAN: And that we cannot do?

21 MS. COLEMAN: Right, you cannot do.

22 MR. KIERNAN: Thank you.

23 MS. COLEMAN: Or another example may be if you
24 called and said, well, I'm a member of the Advisory
25 Committee for the Export-Import Bank; would you mind

1 expediting this application? So you're using your position
2 here to induce someone else to do something for you.

3 MR. KIERNAN: Thank you.

4 MS. COLEMAN: You're welcome. Any other
5 questions? Okay. Well, I'll leave some cards here, and if
6 anything comes up, please feel free to call us. Thank you.

7 MS. GREGOIRE: Thank you. Angela and Erin, update
8 on the reauthorization law as passed.

9 MR. HOCHBERG: While they come up, let me just
10 take a quick moment to call out Catrell and her
11 communications team for our annual report. We worked out an
12 abbreviated schedule. We also trimmed about 25 pages out?

13 MS. BROWN: Yes.

14 MR. HOCHBERG: So this is the Slim-Fast version of
15 our annual report this year. So thank you to Catrell and
16 her team.

17 MS. GULICK: Good morning. Sorry, I know you guys
18 are running behind, so we'll try and get through this pretty
19 quickly. Oops. Okay. So reauthorization, we got
20 reauthorized as of December 4th. I just put here on the
21 slide some key kind of highlight points because there were
22 obviously several votes that occurred over the course of the
23 last five months. So I thought a good refresher was in
24 order.

25 The Senate originally passed Ex-Im as a part of

1 the highway bill. That was ultimately the vehicle in which
2 we were reauthorized. The vote in the Senate was 64-29 to
3 approve the insertion of the Ex-Im reauthorization bill, the
4 Kirk-Heitkamp legislation, which the senators who authored
5 the bill are coming to the Bank later, as the governor
6 mentioned. Obviously with the way the Senate works, they
7 had several votes to do that.

8 So there was an initial cloture vote, which
9 basically ended discussion on debate of that amendment,
10 which was 67 to 26, and then with final passage of its
11 insertion being 64 to 29. So depending on the day, you can
12 say we had 67 votes or 64 votes, but ultimately, either way,
13 it was about two-thirds of the Senate. So --

14 In the House, again, they had to take some
15 extraordinary measures to ensure that Ex-Im was
16 reauthorized. The primary one being a discharge petition,
17 which I'm sure all of you are very familiar with. It's a
18 rarely used procedure. It has been used three times
19 successfully, and we are luckily one of those successful,
20 unique passages. We got 313 to 118 votes approving it. It
21 was a strong bipartisan vote, with the majority of the
22 Republicans -- the majority of the majority voting in favor
23 of Ex-Im. So we were very happy to see that.

24 Ultimately, both of those votes in the Senate --
25 the separate votes in the Senate and the House paved the way

1 for the inclusion of Ex-Im into the transportation bill,
2 which was passed by both chambers and signed by the
3 President on December 4th. I included the House and Senate
4 votes for reference; however, because many of those people
5 also were primarily voting in favor of a transportation
6 bill, they don't exactly count towards our ultimate
7 authorization vote. So, generally, what we have been saying
8 is we have the majority of both chambers, which we had
9 foreseen at the start of this process. So we are glad to
10 see that that at least came true.

11 Manana is going to quickly go over the
12 legislation, some of the key talking points, but you have
13 been provided a nice little handout which goes through each
14 of the provisions that were in the Kirk-Heitkamp
15 legislation.

16 MS. FREYRE: Good morning. So I'm going to
17 briefly describe the 18 provisions in the Reauthorization
18 Act of 2015 that the Bank is required to implement. Before
19 I do that, I want you to know that we've organized working
20 groups for each of the provisions that we need to implement,
21 which working groups are going to be overseeing the
22 implementation of each provision.

23 So we have in these bullets grouped the provisions
24 into themes, and I'll go through -- we'll start with the
25 first bullet, the reduction and exposure cap to 135 billion.

1 So the Reauthorization Act of 2015 lowered the exposure cap
2 of the Bank -- the exposure cap is the amount of obligations
3 that the Bank may have outstanding at any one time --
4 lowered it from 140 billion to 135 billion. That section
5 also freezes the exposure cap in the event that the default
6 rate rises above two percent. So at December 31 our
7 exposure was 98.5 billion, and at September 30 our default
8 rate was 0.235 percent, which is well below two percent.

9 Next bullet, the increase in loss reserves to at
10 least five percent. This is a provision that requires the
11 Bank to build to and hold in reserve an amount equal to at
12 least five percent of the outstanding and disbursed amount
13 of its portfolio. Again, the portfolio at December 31 was
14 98.5 billion.

15 Next bullet, the increase in the small-business
16 lending target from 20 percent to 25 percent. So, as you
17 know, the Bank has three mandates in its charter -- for
18 renewables, for small business, and for sub-Saharan Africa.
19 In the small-business area, the Reauthorization Act of 2015
20 increased the amount that the Bank is required to make
21 available to finance exports of small businesses from 20 to
22 25 percent.

23 Next bullet, updating loan amounts. So this
24 section actually changed four different sections of our
25 charter that have to do with different loan amounts that

1 trigger different financings and different reviews. The
2 first one is that it increased the maximum loan size from
3 medium-term financing from 10 to 25 million. The next is
4 that it increased the threshold that triggers a competitive
5 process for insurance from 10 to 25 million. The third is
6 that it includes a sense of Congress that small-business
7 loan officers should be authorized to approve transactions
8 of up to 25 million. Currently small-business loan officers
9 are authorized to approve transactions up to 10 million.
10 The Board has delegated that authority to the staff. This
11 would be a sense of Congress, which is not law, but it is a
12 recommendation of sorts that we look into increasing the
13 delegated authority of the Board to 25 million for small
14 business. And, last, increasing the loan size that triggers
15 environmental review from 10 million to 25 million or such
16 lower amounts as are provided by international agreements.

17 Next bullet, studies and reports. The
18 Reauthorization Act of 2015 actually requires the Bank to
19 prepare reports and studies on various things, first a pilot
20 program for reinsurance. That provision actually allows the
21 Bank to establish a pilot program for reinsurance and
22 requires the Bank to file a report to Congress in a year's
23 time. Another provision requires the Bank to report on its
24 support of businesses with less than 25 million in revenue,
25 and another study requires the Bank to file a report on its

1 support of companies in the information and communications
2 technology sector.

3 Next bullet, Office of Ethics, Chief Risk Officer,
4 and Risk Management Committee. So the Reauthorization Act
5 of 2015 actually creates the non-political positions of a
6 chief ethics officer and a chief risk officer, both
7 appointed by the president of the Bank and approved by the
8 Board. The chief ethics officer would oversee all of the
9 Bank's ethics programs, and the chief risk officer -- the
10 acting chief risk officer is sitting right behind me --
11 oversees all issues relating to risk within the Bank.

12 The act also established a risk management
13 committee. It's a committee that's composed of the members
14 of the Board of Directors, and it is established to work
15 with the chief financial officer to oversee stress-testing
16 of the portfolio, risk exposure of the portfolio, and to
17 review the quarterly default reports that are filed with
18 Congress. That section also terminates the audit committee
19 of the Board.

20 Final bullet, the GAO report, IG reports, and
21 presidential negotiations. So the GAO is required to report
22 on the Bank's fraud controls. That is a report that they've
23 done in the past under other reauthorizations. The IG audit
24 of the portfolio is another one that is required in the
25 Reauthorization Act and that is their statutory duty. There

1 is a continuation of the requirement that the President
2 negotiate the end of export credit financing, and two last
3 provisions. One is a prohibition on denial of applications
4 or policies that would discriminate based on industry,
5 sector, or business; and, finally, a requirement that the
6 Bank implement policies to accept electronic payments and
7 documents within two years.

8 Again, our working groups are working to implement
9 each and every one of these provisions.

10 MS. GULICK: In addition to the legislation, one
11 of the things that we're currently working on, as many of
12 you know, is getting a full Board of Directors. Just to
13 quickly recap, we obviously have a five-member bipartisan
14 Board. No more than three members can be of the same
15 political party. So, generally, it's the chairman and then
16 two Republicans and two Democrats, with the chairman serving
17 from the President's, the President of the United States
18 party.

19 They're appointed for four-year terms, with the
20 chairman and vice chair also having management roles as the
21 president and vice --

22 MS. FREYRE: First.

23 MS. GULICK: -- first vice president of the Bank.

24 MR. HOCHBERG: Did you extend our terms two years?

25 MS. GULICK: Four-year term.

1 MR. HOCHBERG: I expire in '17.

2 MS. FREYRE: Oh, yes. That should be 2017, not
3 '19 --

4 MS. GULICK: Oh.

5 MS. FREYRE: -- the last --

6 MS. GULICK: Sorry. Yes.

7 MR. HOCHBERG: That was a charter change I was
8 unfamiliar with.

9 MS. FREYRE: It was a Freudian slip.

10 MS. GULICK: It was. I just want you to stay.

11 MR. KIERNAN: Change in plans.

12 MS. GULICK: Sorry about that, yes. So Chairman
13 Hochberg and Vice Chair Felton, their term expires on
14 January 20th, 2017, and all the Board positions are
15 permitted to have an automatic six-month extension. So they
16 could serve until June 19th of 2017.

17 MS. FREYRE: '17.

18 MS. GULICK: Sorry about that. As many of you
19 have seen, on January 11th the President announced his
20 intent to nominate Mark McWatters, who is a Republican
21 serving at the National Credit Union Administration, also on
22 their board of directors. He has been nominated for a term
23 that would expire on January 20th, 2019, and currently we
24 have no additional nominees. So we are hopeful that
25 Mr. McWatters will be able to move through the confirmation

1 process in fairly short order, and that will allow us to
2 have the minimum three members that we need to have a Board
3 quorum.

4 The extent to which we follow the ordinary process
5 of the Senate confirmation process is still yet to be
6 determined, but that is the overview as to what is going on
7 with respect to the legislation as well as the Board of
8 Directors and would invite you all to ask any questions that
9 you might have.

10 MS. GREGOIRE: Questions, thoughts?

11 MR. PERCIASEPE: There's probably history here
12 that I should know but don't know, and No. 17 on your list,
13 which I think was in a different order on your outline
14 there, negotiations to end credit --

15 MR. HOCHBERG: Bob, can you speak closer to your
16 mic as well?

17 MR. PERCIASEPE: Thanks, Fred -- negotiations to
18 end credit export finance, that's shifting the
19 responsibility from the Secretary of Treasury to the
20 President of the United States. What's going on with that?

21 MS. GULICK: I think a number of members of
22 Congress had expressed concern with the progress that the
23 Secretary of the Treasury had been able to make with respect
24 to these negotiations, and so they had wanted to elevate the
25 heightened level of concern to the presidential level.

1 MR. PERCIASEPE: But the idea here is that instead
2 of a unilateral disarmament, so to speak, that somehow the
3 United States gets everybody in the world to agree not to do
4 export financing?

5 MS. GULICK: Yes, and actually -- well, in the
6 2012 reauthorization, that also was a very similar goal. So
7 the goals of these two, of both these negotiations and the
8 negotiations that were included in the 2012 reauthorization,
9 were very similar, I think the key difference being that
10 this one raises it to the level of the President rather than
11 the Secretary of the Treasury.

12 MR. PERCIASEPE: Thanks, Erin.

13 MS. GULICK: Uh-huh.

14 MS. GREGOIRE: Jay.

15 MR. WHITE: Erin, just as a little bit of
16 perspective for us, the reauthorization votes looked like
17 both houses, one-third, roughly, were not in favor. Can you
18 give us a little bit of feeling how -- how were the prior
19 reauthorization votes? I mean, how much opposition has been
20 kind of sliding into, into the Congress in the last cycles?

21 MS. GULICK: Well, I would say up until the 2012
22 reauthorization, historically the Bank's authorizations have
23 either been by voice vote or just unanimous consent. So
24 historically there has never really been much controversy as
25 it relates to Ex-Im's authorization. In 2012 in the House,

1 the authorization passed by a vote of 330. So the
2 difference between the 2015 authorization and the 2012
3 authorization is really just a matter of about 12 votes.

4 In the Senate there were a handful of more votes
5 in the 2012 authorization. I believe -- I'll have to look
6 up the number -- but it was somewhere in the 70s that the
7 2012 --

8 MR. HOCHBERG: The --

9 MS. GULICK: Sorry?

10 MR. HOCHBERG: -- Senate vote?

11 MS. GULICK: Yes.

12 MR. HOCHBERG: 78 to 20.

13 MS. GULICK: 78.

14 MR. HOCHBERG: 78 to 20.

15 MS. GULICK: Yes. So with the 78 to 20 and this
16 time, you know, you could say 67, because that was the max,
17 but -- so about, you know, almost a 10-point differential in
18 both chambers. So the way the numbers speak, it actually
19 was very similar to the previous authorization. Clearly,
20 though, our political challenges were slightly more elevated
21 this time around given that we had to go through a lapse in
22 authority in order to get the votes we needed, but yes, I
23 would say the political environment has certainly shifted in
24 the last number of years.

25 MR. WHITE: Thank you.

1 MS. GREGOIRE: Yes.

2 MR. OJEDA: Manana --

3 MS. FREYRE: Sí.

4 MR. OJEDA: -- under the loss reserves, the
5 increase to at least five percent, where's the Bank right
6 now?

7 MS. FREYRE: The Bank right now is north of 4
8 billion, and five percent of the outstanding 98.5 would be
9 roughly 4.7 and change. It's not, it's not far.

10 MR. OJEDA: No. Now, the profit or negative
11 subsidy of 2015 was reduced in order to increase reserves
12 for the Bank?

13 MS. FREYRE: No, we did, we did not, no. That
14 was, there was no, that was -- that's a completely
15 independent subject.

16 MR. OJEDA: Okay.

17 MS. GREGOIRE: Any other questions, you-all?

18 MR. NELSON: I have one.

19 MS. GREGOIRE: Please.

20 MR. NELSON: So what is the holdup for the
21 remaining nominations for the Board positions? Is even one
22 -- I mean, is there a reason there haven't been nominations?

23 MS. GULICK: I think it's always challenging at
24 the end of an administration to have quality candidates who
25 are wanting to go through a very long nomination process.

1 Typically, it does take a number of months for individuals
2 to be confirmed, and the two open positions, one of them
3 would only go until 2017 and the other would go to 2019.
4 The 2017 position would be for a Republican and the 2019
5 would be for a Democrat. So I think it's hard to find
6 candidates who are interested in going through that process.

7 MS. GREGOIRE: Thank you both very much. Thank
8 you for not only the briefing but for all of your amazingly
9 hard work in bringing about the success that you were able
10 to achieve. Congratulations.

11 MS. GULICK: Thank you.

12 MS. FREYRE: Thank you.

13 MS. GREGOIRE: Thank you. So we'll go ahead and
14 go in for lunch because we need to return here at 12:15 for
15 Senator Heitkamp. So with that we'll take the recess for
16 lunch. Thanks, everyone.

17 (Whereupon, at 11:49 a.m., a luncheon recess was
18 taken.)

19 MS. GREGOIRE: Good afternoon. Thank you,
20 Senator, for joining us today. Before we begin, I'll give a
21 brief introduction, but on behalf of all of us on the
22 Advisory Committee, thank you. You were tenacious,
23 absolutely committed, dogged, passionate, and all those
24 values and skills were absolutely necessary to see through
25 what was accomplished, and we can't thank you enough. So --

1 MS. HEITKAMP: Well, thank you. Thank you, yes.

2 MS. GREGOIRE: So for my colleagues here, the
3 senator took office in 2013, which I also think, as an
4 indication of just how action-oriented this senator happens
5 to be, when you come onto the Senate in 2013 and end up
6 being one of the top leaders in the reauthorization of
7 Ex-Im, as well as a number of other issues, I think it
8 speaks well to what your colleagues think of you both within
9 your own caucus and across the aisle.

10 And for the rest of you who don't necessarily know
11 the senator, prior to that she was in the private sector,
12 but before that she served as the attorney general of North
13 Dakota. And it is in that capacity where I served, as well,
14 and got to know Senator Heitkamp, and it was both of us who
15 worked very hard and led what ended up being 46 states to
16 bring about the largest financial settlement in the history
17 of the world, then and now, having to do with the tobacco
18 companies, and so -- and it was the senator's amazing
19 leadership.

20 Example, she was North Dakota's tax commissioner.
21 So you can see this is an individual who has an eye towards
22 detail, and if you've ever -- you wouldn't have ever had
23 occasion to read the settlement in the tobacco case, but the
24 level of detail there is mind-boggling and the senator was
25 on top of every single aspect of that, and it was an amazing

1 success, just like the amazing success which has brought you
2 here today.

3 So, Senator, we would very much appreciate -- and
4 it is kind of nice seeing you on the opposite side.

5 MS. HEITKAMP: Like you've ever been on this side
6 of the table, Gregoire.

7 MS. GREGOIRE: We'd like to begin with some very
8 intimidating personal questions. No. We'd really very much
9 appreciate -- we've had some conversation among ourselves
10 about what lessons did we learn by having gone through this,
11 and as reauthorization approaches in 2019, what should we be
12 doing differently now that will position advocates like
13 yourself to have a much easier road then than the road that
14 you had to take over the course of the last couple of years?

15 MS. HEITKAMP: Yes. Thanks so much, Governor.
16 What Chris doesn't say is that anyone who was in the
17 National Association of Attorneys General at the time when
18 we were doing the negotiations knows exactly who was our
19 leader, knows exactly who was the champion for children, and
20 who exactly kept us all on task, and that was the great
21 governor, then attorney general, who is a great friend.

22 And so thanks so much, Chris, for inviting me and
23 for giving me this chance to maybe do a little recap of the
24 last time I was in this room, and I think it is this room,
25 right, Fred, when --

1 MR. HOCHBERG: Exactly.

2 MS. HEITKAMP: -- the staff was in and I assured
3 you that I thought we could get it done? I probably nailed
4 the date pretty correctly in terms of December, but it was a
5 series of really unfortunate events that we were not able,
6 never mind the disruption in human lives in this building,
7 but that we disrupted the commerce of this country.

8 Ninety, we like to say 90 to 95 percent of all
9 potential consumers in the world live outside our borders.
10 That's why we've been very aggressive on trade. That's why
11 we have done what we think we need to do to provide tools,
12 and taking away the most successful tool, an 80-year-old
13 resource that our export industry has had, our manufacturing
14 companies have had, was just, you know, folly beyond belief.

15 And when, when I took to the floor, I mainly
16 talked about the people who worked in those factories who
17 had uncertainty, who were laid off in Wisconsin, laid off in
18 Maine, you know, and while we were fighting the perception
19 that this was the bank of Boeing or the bank of GE, we
20 started talking about supply chains, we started talking
21 about those entities, those manufacturing entities in my
22 state that were dependent on GE being able to successfully
23 export, Boeing being able to successfully export and compete
24 nationally.

25 I'm going to say some things that probably are

1 going to sound a little odd, because one of the things that
2 we have grown to expect is that the Bank is a bipartisan,
3 has bipartisan support, broad-based support, in the past has
4 been reauthorized by almost acclimation. I think the last
5 time it was reauthorized in the Senate, it went by UC, which
6 means not one objection. That is still true today.

7 You know, I think you may have the sense that
8 somehow that the support for the Bank has eroded. I don't
9 think that's true. And why do I say that? Because 67
10 percent of the United States Senate wanted to reauthorize
11 the Bank and, when we were actually given a chance to see
12 the discharge petition, which was really the result of
13 Boehner's resignation, the discharge petition being signed
14 and voted on, over 70 percent of the House of
15 Representatives voted to reauthorize the Bank. In any
16 world, in this kind of divided partisan environment, that's
17 a major bipartisan success.

18 So why was this so hard? This was so hard because
19 you lost leadership. Boehner was afraid to bring it,
20 although I think Boehner supported the Bank, but it was
21 being pushed by the ideologues over there, that whole, you
22 know, kind of tussle and tug-of-war with the Freedom Caucus.
23 Really, really, he couldn't figure out how far he could take
24 it. And McConnell decided he wasn't going to be for the
25 Bank anymore, in part, I would tell you, because at the end

1 of the day, this was about interest groups, this was about
2 ideology, this was about the Tea Party factions, this was
3 about The Heritage Foundation scoring this, this was about
4 making sure that the funders on the far right were happy
5 with the decisions leadership was advancing.

6 And so I think it's important not to think that
7 this was -- that there's this huge ideological kind of fight
8 over the Bank, of the Export-Import Bank. I don't think
9 that's true. I don't think it's going to be true in the
10 future provided there isn't some major event here at the
11 Bank that would drive home an ideological point of view. So
12 I would just tell you that take heart in that, that we got
13 70 percent of the House of Representatives to vote for the
14 Ex-Im Bank.

15 Now, how did that happen? It didn't happen by
16 accident. One of the stories I love telling the most is, as
17 we were working through this -- and obviously, not having
18 Senator Shelby on our team made it more difficult, although
19 eventually he had to hold a hearing -- but in what world, at
20 a hearing before the banking committee, are the Democratic
21 witnesses the National Association of Manufacturers and the
22 U.S. Chamber of Congress? In what world does that happen?
23 It happens in this turned-up upside-down world of the Ex-Im
24 Bank.

25 But I will tell you that the lobbying that went on

1 by the Chamber, the lobbying that went on by Boeing, the
2 lobbying that went on by Caterpillar -- Caterpillar
3 obviously had great success with Senator Johnson -- there
4 were a number of votes that were turned, but all of the work
5 that we did to educate on what the Bank is and who the Bank
6 is and how the Bank operates in this world, very important
7 world of exports, all of that goes away and it dissipates as
8 you see transition points.

9 And so Chris asked me to talk to you about what
10 you, well, want to be doing now. I think you will have to
11 continue to sell the Bank the way you sold the Bank during
12 this challenging time. You have to maintain those
13 relationships. You have to be out there, talking to
14 members, telling them about what the Bank actually does and
15 who the Bank benefits in their state.

16 You have to connect them to the Bank in a very
17 real way by talking about employment numbers, talking about
18 export numbers, gross state product that has benefited by
19 the Export-Import Bank, and you have to continue to monitor
20 that relationship, because if you -- if you leave a void,
21 that void is going to be filled by the interest groups that
22 are ideological, that say, look, if you're going to support
23 the Bank, we're going to score it; if you're going to
24 support the Bank, we're going to try and primary you, which
25 at one point they had threatened members with primaries on

1 the Republican side.

2 And so you need to constantly provide that support
3 to that member, whether it's a senator or whether it's a
4 member of the House of Representatives, to continue to speak
5 the language of the Bank, continue to talk about what the
6 Bank does and why this is such a critical and important
7 tool. And you'll have lots of stories.

8 When walking in, I said, well, how's business
9 going, and \$1.8 billion of small -- and we know they're
10 small because you can't do anything over 10 million right
11 now -- of small lending to small manufacturers. That's
12 amazing, you know, amazing pent-up demand that shouldn't had
13 to wait for Congress to act, but I will say, do not leave a
14 void. Do not say, okay, we got through that, now we'll
15 just, we'll just have a new strategy for a year before the
16 Bank is needing to be reauthorized, because these people are
17 not going away.

18 And I'll tell you what I think the strategy is.
19 You know, there is a big kind of national discussion. It's
20 not being played out very artfully in the political realm,
21 but the discussion is about what is the role of government.
22 That's a big, big discussion, and we don't talk about kind
23 of our political challenges the way we should talk about our
24 political challenges, because at its heart that is the
25 fundamental question that's played out every day in

1 politics: what is the role of government and, you know,
2 secondary, how do we accomplish once -- once we have
3 consensus on what that goal is, how do we accomplish that
4 goal?

5 But I will tell you that this was from their
6 standpoint, because they could argue it was corporate
7 welfare -- it wasn't about cutting food stamps; it wasn't
8 about cutting the WIC program; it wasn't, it wasn't about
9 taking, you know, needy families off Medicaid. It was about
10 cutting corporate greed and not having corporations
11 subsidized by taxpayers and putting taxpayer dollars at
12 risk. That's, that's the frame.

13 So why was it important to win that frame for the
14 Tea Party and for the Club for Growth and, you know, all of
15 the, The Heritage Foundation, Cato -- Cato, who I think is
16 more intellectually honest than the rest, she said. Don't
17 repeat that. Anyway -- because Cato is libertarian at its
18 base, and so, you know, you kind of get that -- but if you
19 look at that and you say so what were the next steps, the
20 argument that I would raise is SBA.

21 Why does the government help small business in
22 this country? Crop insurance, RFS. I mean, I could go
23 through all of these programs that are designed to
24 accomplish in Congress's view, right or wrong, a decision
25 that Congress made that this is in the public's interest,

1 this is a necessary part of what we do, but I think SBA is a
2 good example. How can you possibly justify, if the argument
3 about the Ex-Im Bank is true, how can you possibly justify
4 SBA?

5 And so I think you need to see yourself on the
6 vanguard of this argument. You somehow were chosen as the
7 poster child for the debate, the Ex-Im Bank. I think we
8 were effective in pushing back. These wide margins help us,
9 but if you leave the void, you will, you will see a
10 different dynamic emerge and we will be fighting this again,
11 maybe not me, but we will be fighting this again in a couple
12 years.

13 The other thing that I want to talk about before I
14 just kind of open it up for questions -- and we can, you
15 know, staff put together a little down and dirty in terms of
16 the process, but I think you guys were all watching pretty
17 closely, you don't need to know -- but it would be remiss of
18 me not to mention a great friend and colleague of mine and,
19 I know, a great friend of the governor's, Maria Cantwell.
20 In fact, I recently took all of the women of the Senate
21 bowling, and I bought them all bowling shirts, and Maria's
22 was Ex-Im Queen because no one could be as eloquent as Maria
23 in explaining, you know, the interest of the Ex-Im Bank.

24 So, you know, I sit here as the prime sponsor of
25 the bill, in part because of my role on the banking

1 committee, but Maria really had been fighting this fight for
2 a long time and led the charge when we held off voting on
3 TPA, which Maria and I both supported, in fact, all of us
4 supported. I just want to point this out for the governor's
5 benefit. In the well of the Senate, when we were holding
6 off negotiating, you know, voting on the TPA until we got
7 some assurances on the Ex-Im Bank reauthorization, it was
8 five women and one man -- just saying, just saying.

9 But one of the things that I think the other side
10 would look back on and say was a miscalculation was that
11 they believe they did not get the number of reforms of the
12 Bank that they would have wanted to get. What do I mean by
13 that? I mean that they decided that they were, they were
14 divided in terms of what they actually, what the strategy
15 ought to be, and it was either kill it or cripple it, and
16 the decision was to kill the Ex-Im Bank. That was where
17 they were going to go. In the meantime, the very modest
18 bill that we negotiated with Senator Kirk became kind of the
19 standard there.

20 So, so all of those additional provisions that
21 were in the Fincher bill that were being promoted on the
22 House that could have made their way into this legislation,
23 this reauthorization legislation, didn't make its way in.
24 Why was that? Because by the time we ended up fighting the
25 cripple-it or kill-it, on a kill-it basis, there was only

1 one vehicle and, when the House decided that they would
2 issue the discharge petition on our vehicle, that solidified
3 this as the primary kind of reauthorization and not to be
4 amended. And there were a lot of attempts, as you know, to
5 amend it.

6 The idea was, look, we cannot amend this because,
7 once we open it up, all of these additional so-called
8 reforms will be in the debate line, and so that was a
9 secondary threat. The secondary threat was, if you're not
10 going to kill it, let's try and cripple it and put
11 restrictions that would not be good for American
12 manufacturers, would not be good for American exporters, and
13 that didn't happen -- I think, in part, because they
14 overplayed their hand on the kill-it.

15 So why do I raise that here? I raise it because
16 secondary to maintaining the political connections that have
17 been established, you need to think about how the Bank
18 operates, and that's really why you sit in this boardroom.
19 I've been on a number of boards of directors myself. I know
20 that your primary role is to think at a mile-high level.
21 You're not here to micromanage, although Fred occasionally
22 does desperately need micromanaging. But what I will tell
23 you is that be very, very aware of what these reforms were
24 that were in the Fincher bill, be very aware of, that the
25 social engineering on the other side -- and that would be,

1 you know, cripple it, cripple the Bank -- on the other side,
2 there's a real attempt to socially engineer with an entity
3 like the Ex-Im Bank.

4 And Chris knows, I tend to be very moderate in my
5 politics and in my views. I think that you guys ought to
6 run this like a bank and you ought to run it based on
7 what's, what's good. And there's, whether it's the World
8 Bank, who, incidentally, we've had a chance to spend some
9 time with -- amazing man. I don't know. He was former,
10 he's a former president of Dartmouth --

11 MR. HOCHBERG: Dartmouth. Dartmouth.

12 MS. HEITKAMP: -- Dr. Kim. He's wonderful and
13 amazing, and he gets pressured all the time: Well, are you
14 going to fund a coal-fired power plant, are you going to
15 fund, you know, whatever the, whatever the cause is, and you
16 know, he's very cautious. And I think you need to be very
17 cautious, not letting your entity -- obviously there's some
18 things that I think are moral imperatives, but I also think
19 that there's a lot of people who would want to use your
20 decision-making for, to advance an agenda that was not
21 necessarily within the realms of the charter of the Ex-Im
22 Bank.

23 So I'd be glad to, Chris, to open it up to any
24 questions that you have but to basically, I think, Fred,
25 tell your people we're so grateful that they hung in there

1 with us, to express our -- I guess I'm not embarrassed; it
2 wasn't my deal -- but, you know, our awareness that
3 hopefully this will never happen again, because it was
4 disruptive not just to the employees, but it was disruptive
5 to the people you serve, your clients and your customers,
6 but it also was disruptive to the goals of America, which is
7 to be the predominant exporter of goods and services in this
8 world and continue our economic dominance. So --

9 MS. GREGOIRE: So I think I understated the fact
10 that you would tell it like it is, never to disappoint, and
11 I bet you all can see why, when Heidi and I served as
12 attorneys general in the National Association of Attorneys
13 General, we caused considerable trouble. But you can --

14 MS. HEITKAMP: Chris kept me out of trouble --

15 MS. GREGOIRE: Yes.

16 MS. HEITKAMP: -- mainly.

17 MS. GREGOIRE: Yes.

18 MS. HEITKAMP: Yeah.

19 MS. GREGOIRE: You can see just what an advocate
20 she is and how accomplished she is by personality, to work
21 with all people of all stripes to get done what is the right
22 thing. So we can't thank you enough. Can I start with one
23 question --

24 MS. HEITKAMP: You bet.

25 MS. GREGOIRE: -- which is, we don't have a

1 quorum --

2 MS. HEITKAMP: Yeah, I know.

3 MS. GREGOIRE: -- what's your sense of timing on
4 that and are we going to get confirmation?

5 MS. HEITKAMP: You read the paper. I have not
6 talked directly with Senator Shelby. He -- we have not had
7 a banking hearing since we've been back. He has expressed
8 an unwillingness to basically go to confirmation until after
9 his primary, which is in March, I believe. And so I would
10 not -- I mean, he's, he can be stubborn that way, and so I
11 take him at his word that he doesn't intend to move any
12 nominations until, until after the primary.

13 Not that yours isn't important, but we have
14 someone named Adam Szubin, who is the head of terrorism
15 sanctions at the Department of Treasury. He's an amazing
16 young man, amazingly bright, bright man, kind of person that
17 you want in government. We're holding him off, too, at a
18 time when -- so just, just so that you don't feel lonely
19 here, you know, that's the level at which we are not moving
20 nominations out of the banking committee.

21 Our ranking member, Sherrod Brown, has been dogged
22 in his pursuit of folks to get this done, and I think we
23 have to take him at his word and assume that you're going to
24 be waiting a little bit longer, but I think after, after
25 Shelby gets through that period, I think we'll see these

1 nominations advanced. The President is going to have to
2 re-nominate a Democrat, right?

3 MR. HOCHBERG: Yes.

4 MS. HEITKAMP: Yeah. So that vetting sometimes
5 takes, takes time.

6 MS. GREGOIRE: Okay. Owen. As we ask the
7 question, can we introduce ourself and what organization or
8 company we represent?

9 MR. HERRNSTADT: Sure, Owen Herrnstadt with the
10 Machinists and Aerospace Workers, and on behalf of our
11 members, thank you for everything you did and are doing.
12 You mentioned sort of the ideological debate, and if the
13 Bank was about corporate welfare, the machinists' union
14 would be on the other side, but it's not. As you mentioned,
15 it's a direct link to creating and maintaining good and
16 decent jobs here in the U.S., and I really want to
17 emphasize, I really appreciate your opening comments on what
18 it did to the men and women whose jobs were dependent on
19 exports and upon the Bank itself. And to put them in that
20 kind of quandary really is a disgrace, particularly at this
21 time and in this age.

22 You walk the plant floor in Everett, and you see
23 tails of planes that are painted to buyers, buyers that are
24 only there because of the Bank, and then you see all the men
25 and women that are working on those planes, the

1 highest-skilled jobs in the country, and to do that to them
2 is really quite unforgivable.

3 You also mentioned the GE plant in Wisconsin.
4 Those are represented by machinists. It is absolutely
5 horrifying that they were sacrificed in this debate. These
6 are people whose livelihoods depended on great jobs. They
7 negotiated a great contract with the company and only to
8 find themselves on the unemployment line in the way that
9 they did.

10 You also mentioned workers here, and I really do
11 appreciate that because, as you know, these are loyal,
12 hardworking federal employees, and to treat them and their
13 families like that was also a disgrace.

14 And just the last type of thing, you mentioned
15 that some of the right-wing outfits were scoring this. I
16 can only urge our colleagues in the business community, you
17 might want to carefully score this, as well, to make sure
18 that the message is clearly understood that when someone
19 takes an ideological side in a way that hurts the U.S.
20 economy, hurts your constituents and workers, you'll be
21 looking closely at that in terms of support going forward.
22 But, once again --

23 MS. HEITKAMP: Yeah. I --

24 MR. HERRNSTADT: -- thank you for everything.

25 MS. HEITKAMP: I think it's important to point out

1 that it had near unanimous support among the Democratic
2 caucus, and there were a lot of brave folks. I would like
3 to single out one which is Representative Lucas from
4 Oklahoma, who clearly was a huge advocate and a great friend
5 of the Ex-Im Bank. There are folks who really stuck their
6 neck out for the Ex-Im Bank in a way that it wasn't hard for
7 me. It wasn't hard for me to support the Ex-Im Bank. It's
8 a no-brainer for me, but when you're up against that
9 special-interest pressure, I think that's the other thing,
10 is to reward those people on the other side, not just the
11 ones who went along and kind of hid until they actually had
12 to vote, but those people who really stepped out for you,
13 and Representative Lucas is one that, that I would tell you
14 I was so impressed with. There's a lot of folks down in
15 Texas who risked a lot to do this too. So I want to give a
16 shout out to, you know, the bipartisan.

17 MR. STEPHENS: A question and comment, Steve
18 Stephens with Amegy Bank in Texas, and my colleague T.J. and
19 I went around to a lot of Texas delegations, trying --

20 MS. HEITKAMP: We got so much support from the
21 senators from Texas.

22 MR. STEPHENS: Well, and part of my, part of my
23 kind of comment and question, so we talked earlier, there
24 were kind of three camps that we encountered. One was we
25 would have congressional leaders who knew, or we brought to

1 them, some of their constituents, our bank clients --

2 MS. HEITKAMP: Yeah.

3 MR. STEPHENS: -- to tell the story, easy for them
4 to kind of understand the value of Ex-Im Bank.

5 Then there were those, John Culberson would be an
6 example, didn't matter what you said, it just, you know, the
7 ideological issues --

8 MS. HEITKAMP: Yeah.

9 MR. STEPHENS: -- just overwhelmed everything.
10 But then there was that third category of congressional
11 leaders who just didn't know who their constituents were
12 that benefited from Ex-Im Bank, and trying to tell the story
13 to that group, we need to do a better job of that, I think,
14 as not only an advocate of Ex-Im Bank but, I think, the
15 business community, because I think the story is not out as
16 well as it can be.

17 So how do you win that, how do you -- how do we
18 take that battle forward and what we've done?

19 MS. HEITKAMP: You know, I'm probably not the best
20 person to answer that question, and I'll tell you why.
21 People would come to me and say, aren't you bothered by, you
22 know, the ownership of a bank, and I said, no, because North
23 Dakota constitutionally has something called the Bank of
24 Dakota that's owned by all the taxpayers and it has been a
25 powerful tool for development. And so it's not like in

1 North Dakota you have to explain the value of an entity that
2 assists and that participates in a way that is, that is very
3 helpful for development of jobs, development of business
4 opportunities.

5 What I will tell you is that this idea of, you
6 know, just kind of generally, of the federal government
7 owning a bank doesn't -- you know, in North Dakota it's kind
8 of second nature. In many, many other places, it's
9 difficult. And, you know, if we called it the Ex-Im, Export
10 Credit Agency, you know, that may have a -- you know, if
11 it's branded differently than a bank, but we know what it
12 does.

13 A lot of people don't understand what it does.
14 They think that it, that it basically is in competition with
15 the American banking system, and we know differently. We
16 know bankers, just like you were saying: Whoa, we couldn't
17 do this without them; there is no private place we can go to
18 get this; if there were, we wouldn't worry about it. And so
19 I think just kind of educating on the kinds of loan
20 guarantees that you do, why it's important in terms of
21 currency risk, which I can't imagine right now what's
22 happening in terms of currency in the export market, why
23 it's important when you're trying to expand opportunities.

24 Fred tells a great story, and Fred is a great
25 spokesperson. You know, he can, he can talk about the

1 pickle lady because in that context, it says, here she is,
2 she wants to sell more pickles but she can't take the credit
3 risk and nobody in her community -- there's no place for her
4 to turn to actually get credit but she can turn to the Ex-Im
5 Bank and she can, in fact, double her sales if she has that
6 support and, guess what, we do it right because we not only
7 don't waste taxpayer money, we return money to the Treasury,
8 we're running this entity the way it needs to be.

9 But I think, I think the best thing I can tell you
10 is those kinds of concrete examples, especially for small
11 business, that really define and explain what it is that the
12 Bank does and help explain why it's not in competition with
13 global lending institutions. So, like I said, it's easy for
14 us because we have a culture that accepts a state-owned
15 financial institution.

16 MS. GREGOIRE: Other -- please.

17 MR. NELSON: Yeah, I'm Don Nelson with Ramsgate
18 Engineering from California.

19 MS. HEITKAMP: Great.

20 MR. NELSON: I'd like to say thank you for your
21 help in --

22 MS. HEITKAMP: And we had --

23 MR. NELSON: -- the reauthorization.

24 MS. HEITKAMP: We had great help from Maxine
25 Waters. I mean --

1 MR. NELSON: Yes.

2 MS. HEITKAMP: -- she was, she was doggedly
3 determined, and a lot of the small businesses that really
4 stepped up came out of Texas and California, and so we met a
5 lot of folks in California who were doing amazing things and
6 who told important stories.

7 MR. NELSON: So a question, you had mentioned not
8 to allow a gap in, I guess, discussions with our
9 representatives, and there's three of us in here who had
10 three very big opponents of the Bank: McCarthy, Hensarling,
11 and Mick Mulvaney. McCarthy's my district. So my
12 discussions with him obviously didn't go well. I couldn't
13 change his mind. So how would you recommend that I continue
14 a dialogue with someone who is just ideologically opposed to
15 the Bank?

16 MS. HEITKAMP: Do you really think he's
17 ideologically opposed to the Bank?

18 MR. NELSON: Well, I think he was pressured by
19 Heritage; you know, the lobbyist groups obviously put
20 pressure -- someone put pressure on him, because he could
21 care less about the damage it was doing to his constituents.

22 MS. HEITKAMP: Yeah. I think he was, he was
23 playing the game a little bit higher, right? What I would
24 recommend is that you not waste your time on, on those folks
25 who you aren't going to persuade, and you said you had the

1 people who just, there's no way, no how. You know, on our
2 side Bernie Sanders didn't support the Ex-Im Bank, and so --
3 and I doubt that I could -- I could talk until I'm blue in
4 the face; I don't think I'd get Bernie to vote for the Bank.
5 But there's always in these issues this wonderful middle
6 that goes ignored because the, so much of the yak-yak is on
7 either side of it, and in that middle is the opportunity.

8 The other thing that I've been thinking about in
9 response to that is, for those people who got out there on a
10 limb when they shouldn't have, is to figure out how to walk
11 them back, and that may be minor reforms that you could
12 recommend. You know, what -- you know, never mind if
13 they're hell no. I tell people, if you're hell no, I can't
14 help you. I can't --

15 MR. NELSON: Yes.

16 MS. HEITKAMP: -- I can't change a hell-no, but I
17 can change someone who says, you know, I'm just troubled by
18 this part of it, and listening and offering some kind of
19 small relief on the issue so you can walk them back off the
20 ledge. And that's what I would recommend. Just think about
21 those things that you can do without crippling the Bank that
22 give them the opportunity to walk back from the hard
23 position they took, because I think a lot of those folks
24 knew at the end that -- I think they thought I'm going to
25 get a freebie, I'm going to have a chance to, you know, say

1 I had to vote for it because it was on the, you know it's on
2 that transportation bill and that was important and so I
3 plugged my nose, and that would give them the cover, and
4 when the discharge petition happened, there was no longer
5 any fig leaves anyone was going to have. And so you got to
6 figure out how you help walk people back.

7 MR. NELSON: Okay. Thank you.

8 MS. FREUND: On that idea of walking people --

9 MS. HEITKAMP: Can you --

10 MS. FREUND: Oh, I'm sorry. Caroline Freund from
11 the Peterson Institute for International Economics. Thank
12 you very much for your help with the Ex-Im Bank
13 reauthorization bill. It's great to have your support. On
14 this point of the middle ground that you raised of the
15 people who kind of aren't sure where they stand in their
16 constituency, I was wondering which of the arguments for the
17 Ex-Im Bank resonated most with them, whether it was the
18 pickle lady, who's actually a member of our committee --

19 MR. HOCHBERG: Right.

20 MS. FREUND: -- and would normally be here, but --

21 MS. HEITKAMP: Where's the pickle -- oh.

22 MS. GREGOIRE: She's not --

23 MS. FREUND: -- she's not here today --

24 MS. HEITKAMP: I wanted to meet the pickle lady.

25 MS. FREUND: -- and she always wears her shirt

1 too.

2 MS. HEITKAMP: Does she?

3 MS. FREUND: Yeah, and --

4 MR. HOCHBERG: Can't miss her.

5 MS. FREUND: Yeah, exactly, her green shirt if she
6 were here. Does that kind of push factor for the U.S., as a
7 global leader of the small businesses, et cetera, work --
8 resonate more, or does the argument of look what everybody
9 else is doing out there, how can the U.S. compete when
10 China's going nuts on this stuff, Europe's doing a lot more
11 than we are --

12 MS. HEITKAMP: I think it is about the pickle
13 lady. I think that, that in order to kind of appreciate the
14 world of international finance and currency, I mean, that's
15 just, in many ways, unless they serve on committees that
16 spend a lot of time with that, that -- I think the most
17 persuasive way that you, you introduce it is say: Here's
18 George. He has a small business manufacturing solar panels,
19 does it better than anybody else in the world. In order for
20 him to access market, he's got to be able to provide some
21 kind of credit opportunity, and when you took away the Bank,
22 you took away his credit opportunity, and oh, by the way,
23 here's five of his employees who were laid off, and that's
24 happening in your district.

25 And the big argument here -- because, when you

1 look at the numbers, the Bank by numbers, it does have a
2 huge impact on GE and Boeing -- but what we were successful,
3 and I believe, very successful, in doing is introducing all
4 that supply side, all of that supply chain work that's done,
5 because, I mean, I don't mean to take anything away from
6 Boeing because what you do is so critically important, but
7 you assemble. A lot of those parts and a lot of that work
8 is manufactured all across the country, ironically in Texas.
9 Texas is a huge supply chain for both GE and for Boeing.

10 And so I think you need to step it back. You need
11 to take it to small business, you need to take it to the
12 employees, you need to introduce them to the employees, and
13 I think you can't let them forget the lesson that they got
14 beat really bad, you just don't want to do that again.

15 So my belief is that the next wave will come to
16 tightening the restrictions on the Bank, and so that's
17 something that you need to get ready for. And the best way
18 for you to get ready is take a look at those restrictions
19 that didn't make it on this reauthorization.

20 MS. GREGOIRE: So, Senator, you have been very
21 generous with your time. In talking with your folks, I know
22 there was no room on the calendar. You made an extra, extra
23 effort, and they'll kill me if I don't get you out on time,
24 and we're already over time. You have been candid with us.
25 You've been forthright with us. You've given us some really

1 great food for thought as to what we need to do to hit the
2 ground running here, not allow that void to occur, keep our
3 friends intact, and really educate with the examples of
4 Jenny and others like Jenny out there. So I can't thank you
5 enough.

6 While we're acutely aware of ethics -- we had a
7 briefing this morning -- we don't want you to know, or want
8 you to think that our gratitude to you is anything other
9 than immense, but all we can do is a letter of appreciation
10 with each and every one of our individual signatures --

11 MS. HEITKAMP: Aw, thank you.

12 MS. GREGOIRE: -- and if you'll give it back to
13 me, I will personally have it framed so the government
14 didn't pay a dadgum thing for the thing. But on behalf of
15 all of us here --

16 MS. HEITKAMP: What she's really saying is, one of
17 those plaques that she got, she'll just take the award out
18 of it and put it in her frame. I know her trick. I know
19 her trick.

20 MS. GREGOIRE: You are so bad. You know, thank
21 goodness we've got folks like you --

22 MS. HEITKAMP: Thank you.

23 MS. GREGOIRE: -- who are there for us, and Owen
24 said it about the workers out there on the line every day.
25 These folks represent the small businesses and the small

1 banks that are making it possible. These employees at the
2 Bank have been through an unbelievable roller coaster that
3 they should never have had to go through, but you are our
4 champion and we can't thank you enough.

5 MS. HEITKAMP: Well, we are not going to let -- I
6 want you to know that it is a very, very high priority to
7 get your, your quorum on your Board so that you can begin to
8 operate the way you need to operate, to guarantee American
9 manufacturing and American manufacturing jobs. Thank you so
10 much for letting me come today.

11 MS. GREGOIRE: Thank you all. We have a very
12 short break before --

13 (Whereupon, at 12:58 p.m., a brief recess was
14 taken.)

15 MR. HOCHBERG: Let me take -- it's always hard to
16 introduce a good friend, an old friend from New York. Shaun
17 Donovan is the director of the Office of Management and
18 Budget -- in many ways, probably the most powerful sort of
19 Cabinet officer we have in terms of how the budget is set,
20 overseeing operations of the government, performance,
21 contracting regulations. A number of the things all go
22 through OMB.

23 Shaun and I met when he was in New York City as a
24 housing commissioner -- I think that's where we met, I think
25 through -- I think our friend Cheryl introduced us --

1 MR. DONOVAN: Yes.

2 MR. HOCHBERG: -- and then served in the first
3 term as secretary of HUD.

4 So without much ado, I'm going to just turn it
5 over to Shaun, who's going to give us a brief overview, and
6 then we'll open it for some questions.

7 MR. DONOVAN: Well, thank you, Fred, obviously for
8 having me here today. More importantly, thank you for your
9 service and your leadership. Governor, it's great to see
10 you --

11 MS. GREGOIRE: Good to see you.

12 MR. DONOVAN: -- and thank you, as well, for your
13 continuing service to the country.

14 MS. GREGOIRE: Thank you.

15 MR. DONOVAN: And it's wonderful to be here with
16 all of you. I wanted to try to spend just a few minutes
17 talking a little bit about the budget agreement we reached
18 at the end of the year and its, what it means, hopefully
19 what it augurs for the rest of this year and, also, just a
20 little bit on the President's priorities for the year but, I
21 thought, as much as possible, to have a real conversation
22 here, to open it up to your questions and be able to respond
23 really to what you're most focused on.

24 I guess I would begin by saying Happy 2016, and
25 that's not just a sort of meaningless greeting, but it

1 really recognizes that, I think, all of you in your role for
2 Ex-Im are happy that 2015 is behind us and that we achieved
3 what has been a kind of relentless area of focus for the
4 President, which is growing our exports, building our
5 relationships with the rest of the world, and particularly,
6 getting Ex-Im reauthorized was successfully achieved at the
7 end of the year, and so that's obviously the most important
8 thing that's happened.

9 I will say that in addition to the things I'll
10 talk about today, I really appreciate the work that you all
11 do and the staff of Ex-Im do day to day with my team. It's
12 something my team and I have -- a number of whom are here
13 today -- talk about often, that particularly in a difficult
14 period like Ex-Im went through last year, we did as much as
15 we possibly could to try to make sure that whether on budget
16 matters or management matters, other things, that we were
17 working together. Ex-Im's leadership role in ICRAS is a
18 very good example of that, of that partnership, and I really
19 just want to say how much I and my team appreciate the
20 partnership that we have with all of you but also with the
21 full team at Ex-Im.

22 The budget agreement and actually the broader
23 agreement that we reached at the end of the year, because it
24 included not just a budget agreement but also a very
25 significant tax package as well, kind of comes after a long

1 period, too long a period of instability in our budgeting in
2 the federal government, and the way I generally talk about
3 that is a period of manufactured crises and mindless
4 austerity.

5 And what I mean by that is that if you really look
6 at the broader fiscal challenges that the federal government
7 has, the truth is that where all of the energy and the
8 fighting was -- the shutdowns, the sequestration -- was
9 around the discretionary portion of our budget, which is,
10 you know, most of the things that the American people know,
11 you know, whether it's defense spending, education, housing
12 in the world that I worked in. But all of, all of those
13 things that are most familiar to the American people are on
14 the discretionary side of the budget, but the truth is that
15 discretionary spending has really not been the issue that
16 was driving our deficits. It had been the, sort of what we
17 call the mandatory side of the budget as well as the tax
18 side of the budget.

19 And so when the President came into office, one of
20 the first things he did was obviously focus on health care
21 costs, which are perhaps the most significant driver of our
22 fiscal condition, and we had made, through last year, when
23 we began negotiating the budget agreement, enormous fiscal
24 progress.

25 We've actually now seen our deficits come down by

1 75 percent since the President took office. This past year
2 our deficit was two and a half percent of GDP, which is the
3 lowest level it's been since before the crisis and, I think,
4 most importantly, well below the 40-year average that we've,
5 that we've seen.

6 And we brought down our long-term projections of
7 debt dramatically, largely because, just to take one year,
8 in the year 2020, we're going to be spending almost \$200
9 billion a year less as a federal government on health care
10 than we thought we would be spending when the President came
11 into office. So this sort of bending the cost curve on
12 health care really has made an enormous difference to our
13 long-run fiscal picture.

14 That and the economy recovering, which has helped
15 revenues rebound, as well as some increases to tax rates for
16 the highest income earners, has really made an enormous
17 difference in our, in our fiscal picture. And so going into
18 last year, the argument that the President made was that we
19 need to be making the kind of smart investments that will
20 both help our economy in the short run, whether it's job
21 training or a broad range of other things -- and I want to
22 come back to the importance of our investments overseas to
23 open up new markets and a range of other things -- but we
24 also need to be making longer-term investments in education,
25 in research and development that have been steadily

1 declining over, not just a few years, but over decades.

2 And so what the President said is -- he introduced
3 his budget about a year ago for 2016 with two very clear
4 kind of redlines. He said that he would not accept the
5 return of sequestration. These were the cuts that were put
6 in place when we couldn't reach a fiscal deal some years
7 back. They were supposed to be so terrible that they would
8 never happen. They were going to be deep cuts in military
9 spending and almost every other category of discretionary
10 spending, and they were so terrible that they would never
11 happen. It would bring Republicans and Democrats together
12 to avoid them, and unfortunately, that didn't happen. But
13 he laid a very clear redline that he would not accept
14 sequester and that we needed to end it in any budget deal.

15 He also said we should be matching increases in
16 defense and non-defense spending equally. He recognized
17 that we were not spending enough on defense but that we
18 ought to follow a principle that was reached by the
19 Murray-Ryan agreement two years ago that said we should be
20 investing dollar for dollar on the defense and non-defense
21 side. And, in fact, working throughout last year on a
22 bipartisan basis, because it was not just Democrats who
23 stood up for this principle but many Republicans as well, we
24 were able to in October reach a two-year agreement, and
25 that's, that's very important.

1 Not only did we lift 90 percent of sequester, but
2 we also were able to get an agreement over two years that
3 really not only ends this kind of mindless austerity on the
4 discretionary side but, first of all, was completely paid
5 for -- so all of the sequester relief that we reached was
6 paid for with changes to health care spending, increases in
7 revenues, a range of things that made sense as longer-term
8 reforms -- and it was a two-year agreement that would make
9 sure that the threat of shutdown -- and I'm going to knock
10 on wood here -- that the threat of shutdown not just
11 wouldn't be a problem this year but -- I'm sorry, last year,
12 but also this year as well. And, as you all know, we're in
13 the middle of an election season, and so I think it's
14 particularly important that the sort of politics don't end
15 up leading us to another conflagration around the budget
16 this year.

17 Obviously when you're talking about the entire
18 federal budget, what those increased investments in the deal
19 meant, I'm not going to go through all of those, but it's a
20 huge range of things from research and development and
21 infrastructure funding to education to a broad range of
22 other things that really did see significant increased
23 investments in this fiscal year that we're in right now.
24 And with a lot of work at the end of the year, we were able
25 to kind of close out that deal by getting what we call an

1 omnibus agreement just in the last few days before we broke
2 for the end-of-year holidays. On December 18th the
3 President signed the bill, which included all of the kind of
4 overall agreement we'd gotten in October, how we were going
5 to distribute that throughout each sort of category of the
6 budget across the entire federal government for this fiscal
7 year.

8 At the same time, there were other critical steps
9 that we achieved -- one, along with reauthorization of
10 Ex-Im, getting reforms to the IMF was a critical area of
11 focus the President had for some time. We were able to
12 achieve that in the budget deal, and that's critical in
13 terms of making sure, particularly as we have, we've seen
14 instability in world markets and concerns about growth in
15 some developing countries, that we continue to have a system
16 of international financial institutions that can help invest
17 and stabilize and, in fact, grow those economies so that
18 exports can continue to grow over time. That's critical.

19 We got a significant increase, as well, in State
20 Department funding. As you all know, so much of our ability
21 to grow our trade with other countries depends on growing
22 political stability there, growing consumer markets, growing
23 education, and other key investments that are going to grow
24 those economies and allow us to have a strong export base
25 with the rest of the world -- so, many, many things as part

1 of that deal that were critical.

2 In addition -- and I'm not going to spend much
3 time on it -- we did reach an agreement to permanently
4 extend a number of tax provisions that have been constantly,
5 year after year, since 1993, being extended on a one-year
6 basis, and just as in with budgets, if you're a company or
7 an individual trying to plan your life, plan your business,
8 having the government operating where literally at the very
9 end of the tax year you're extending a provision -- so
10 literally this wasn't just a year going forward; this was a
11 year retroactive that these tax breaks were being extended
12 -- that was a critical win.

13 Importantly, we also got permanent extensions of
14 some very important middle-class tax breaks and working
15 family tax breaks, and a big expansion of the earned income
16 tax credit that was done as part of the Recovery Act when
17 the President came in, that's now permanent. The child tax
18 credit expansion that we got at the same time, that's now
19 permanent, and the American opportunity tax credit, which
20 helps families pay for college, was also permanently
21 extended.

22 So those were critical, critical wins. Our
23 estimate is that just those three provisions alone help to
24 lift about 16 million families out of poverty each year,
25 including 8 million children. So those are enormously

1 important provisions that got done in that deal at the end
2 of the year. Again, happy to -- there's lots and lots of
3 specifics sort of under the hood of that agreement, but
4 happy to answer questions about that.

5 The last thing I would just want to say is that
6 this, for anyone who watched the President in the State of
7 the Union address, what you saw is a President who is
8 enormously optimistic and energized. Today is literally the
9 day that marks one year left in the administration. It is
10 one year until the next presidential inauguration, and we
11 have a very active agenda that we are pursuing, and every
12 day when I'm with the President, he reminds us that we want
13 to squeeze every last moment out of, out of this year.

14 And so while we don't expect an enormous amount to
15 get done in Congress this year given it's an election year
16 and the session is relatively limited given the number of
17 days, we do obviously want to get a budget done that
18 completes the work of the budget deal I talked about last
19 year, the two-year deal.

20 We also are very focused on a set of places,
21 bipartisan areas where we think we can make progress.
22 Criminal justice reform is one that is very high on the
23 President's list, and there's an interest in coming
24 together, Democrat and Republican, along with many local
25 leaders, governors, mayors who are interested in seeing that

1 happen; a lot of work with companies to help prisoners who
2 are reentering society get jobs and other work. So there's
3 a lot to be done there.

4 On issues like opioid abuse, which we're seeing,
5 unfortunately, particularly in many rural communities,
6 exploding, is a problem where we think we can make some real
7 progress with Congress, and a set of other things that are
8 high on the list.

9 Obviously, significant on that list is the
10 Trans-Pacific Partnership, which the President sees as a
11 critical way to grow jobs, high-paying jobs in this country,
12 and increase our exports, make sure we set the rules of the
13 road for the international market for years to come. So
14 that's going to be a critical priority as well, but there
15 are an enormous number of things that we can do with
16 executive authority, with funding that we just got in the
17 budget deal at the end of the year, and so we're going to
18 continue to be very, very focused in the coming year and
19 particularly, as I said, we just met with the President
20 yesterday to brief him fully on what's happening in the
21 international economy.

22 Given some of the concerns about China, Brazil,
23 Russia, some other countries, given some concerns in, you've
24 seen kind of ripple through the markets internationally, we
25 are very focused on making sure that we're doing everything

1 we can to continue to grow our exports at a time where
2 exchange rates have made that more difficult and to invest
3 in diplomacy overseas that can, as I said, help to stabilize
4 democracies, create democracies and grow economies that can
5 be a receptive set of markets for U.S. product. So all of
6 that is going to be on the agenda for the year, and with
7 that, Fred, Governor, let me, let me stop and open it up to
8 questions.

9 MS. GREGOIRE: Well, first of all, thank you for
10 spending this time with us today. We know how important it
11 is, and thank you for assisting and making sure that Ex-Im
12 reauthorization occurred. It has been a grueling exercise,
13 as you can well imagine, for the folks here at Ex-Im, and so
14 to have it come to a successful conclusion, finally, is
15 really what needs to happen. And I want you to know that
16 from the briefings that we already have had here today, the
17 people here have not let any of that get them down. They
18 have stepped up. They have hit the ground at 110, and they
19 intend to go forth and do good. So thank you very much.

20 MR. DONOVAN: That's great. I --

21 MR. HOCHBERG: And tell the boss.

22 MR. DONOVAN: The number of times this was a
23 subject of conversation with the President last year, every
24 time a big legislative vehicle was moving, pushing to try to
25 see if we could get this, then I will also say that we know

1 we can't stop there. And obviously getting back to a quorum
2 so that you all can get to deals that are above \$10 million
3 is a critical priority as well, and so certainly on our
4 side, we're working as hard as we can to make sure that that
5 happens as quickly as possible.

6 MS. GREGOIRE: And we just had Senator Heitkamp
7 come before us, and we will have Senator Kirk --

8 MR. DONOVAN: Yep.

9 MS. GREGOIRE: -- and having them share with us
10 lessons learned that we can take and make sure that this
11 doesn't have to happen again in the reauthorization process
12 of 2019. So --

13 MR. DONOVAN: Amen.

14 MS. GREGOIRE: Questions, you-all? Please.

15 MR. OJEDA: Hi, Gabriel Ojeda, small business from
16 Texas. This question may sound unrelated, but it has to do
17 with the things we learned in the process of the
18 reauthorization, and when I spoke with my local congressman
19 and we talked about the Ex-Im Bank and I pointed to him that
20 the Bank was making money or having a negative subsidy, he
21 replied to me that if we use a fair method of accounting,
22 the Ex-Im Bank would be losing money. And do we have two
23 accounting methods within the government, or where do these
24 numbers come and how do you counteract an argument like
25 that?

1 MR. DONOVAN: Yeah. So this starts to get obscure
2 quickly, and I will try to speak English rather than OMB
3 here, but this is also an issue I'm quite familiar with
4 because part of HUD is, is what we call the Federal Housing
5 Administration, FHA, which is the single largest credit
6 subsidy program in the federal government, and the -- there
7 has been an ongoing debate about whether using a, the
8 traditional credit reform method of accounting for loan
9 programs like Ex-Im makes sense.

10 There are some advocates that say we ought to use
11 what's called fair-value accounting, and think of that fair
12 value as accounting for the loans, imagining that they're
13 being made by a private entity. So, in other words, what
14 they would do is say, well, if Ex-Im had to get a market
15 rate of return on equity capital raised from the private
16 markets and had other costs that were what a private entity
17 has rather than government costs, what would that cost? And
18 I honestly don't know -- I haven't seen the accounting for
19 Ex-Im. What I can tell you is for a program like FHA, which
20 is about a trillion-dollar portfolio, you would see
21 accounting that would say the FHA is losing money.

22 The problem with this accounting is, first of all,
23 it's just simply not true. In other words, FHA is making
24 now billions of dollars a year which it's returning to
25 taxpayers. That's not imaginary. Those are real dollars

1 that we can actually show the American people they're paying
2 down debt, they're lowering the cost of government. And
3 fair-value accounting is really not an accurate accounting
4 of what the federal government is doing, and I think that's
5 the first and most important reason why we shouldn't be
6 using fair-value accounting.

7 I think it's fine to do separate studies, which we
8 do do and CBO does, to show, well, if you accounted for it
9 this way, but I think the deeper kind of, I don't know if I
10 would say it's philosophical, but the deeper issue here is
11 do Ex-Im, do FHA, do these programs play a role that is
12 really an important role for the government to play, and
13 that really is, you know, behind some of the philosophical
14 disagreements we saw last year that led to the authorization
15 lapsing. And, frankly, this fair-value issue is kind of an
16 outgrowth of those concerns, and I think, you know, my
17 argument is certainly that there are real mission reasons
18 for the American people and the U.S. government to want to
19 have programs like Ex-Im, like FHA that improve our economy,
20 that create jobs, that make sense for the government to be
21 in that business, and that is all the more reason why we
22 ought to be accounting for these in the way that we do,
23 which is credit reform on the actual costs of what the U.S.
24 government pays to operate these programs.

25 So hopefully that's not getting too much in the

1 weeds on that question, and my team, by the way, we have
2 what's called the credit crew. It's not a rap group or a,
3 you know. It is the group that actually runs these credit
4 programs for the entire federal government. We could give
5 you, you know, many, many more pages and documents to back
6 up that assertion of why we think this is the right way of
7 accounting if that's useful to you or to anyone else on the
8 Board.

9 MS. GREGOIRE: Good. Please, Don.

10 MR. NELSON: Yeah, Don Nelson with Ramsgate
11 Engineering from California. My understanding was the
12 method of accounting that the Ex-Im Bank uses was mandated
13 by Congress. Is that not true?

14 MR. DONOVAN: It is.

15 MR. NELSON: Okay.

16 MR. DONOVAN: It is credit reform, and in fact,
17 this, I don't know if I'd call it a fight or a disagreement
18 that I've been talking about, is something that would
19 require a statutory change to institute fair-value
20 accounting, and so that, that is really where it's been
21 centered. Again, CBO, OMB, we look at fair value, we sort
22 of do reports on that, but the actual way that the
23 accounting works for the federal government, by law, you're
24 exactly right, is under credit reform and uses the actual
25 costs of, you know, debt and other things for the federal

1 government.

2 MR. NELSON: Thank you.

3 MS. GREGOIRE: Well, Director --

4 MR. DONOVAN: We do like to follow the law, in
5 general.

6 MS. GREGOIRE: Director Donovan, thank you again
7 for spending your time with us and for all the help that
8 you've given Ex-Im over the course of this reauthorization
9 process. And, again, as Fred said, please assure the
10 President that we're alive and well and geared up and kicked
11 in gear and going to make up for lost time and serve the
12 people and the small businesses and the large businesses of
13 this country so that we can continue to lead the world in
14 exports.

15 MR. DONOVAN: Amen, and we will do everything we
16 can to continue to support you in that work, so thank you.

17 MS. GREGOIRE: Great. Thank you.

18 MR. HOCHBERG: Great. Thank you. Before you
19 leave, I know you have some of your team here, and I wanted
20 to single out Christine -- where's Christine? -- Christine,
21 in particular, who's been working a lot with David Sena,
22 who's actually out of the country, reviewing some of our
23 loans to make sure they're performing well, particularly in
24 the oil and gas field, but why don't you just introduce the
25 rest of your team, because I know our folks would like to --

1 MR. DONOVAN: Great. Emily Cain, who does press
2 and communications work for us, who you've just met, and
3 Flaud (phonetic sp.), who helps to lead many of our
4 international efforts, not just Ex-Im but also at the State
5 Department and elsewhere. So --

6 MR. HOCHBERG: Great. Well, thank you. Thank you
7 all for coming, appreciate it.

8 MR. DONOVAN: Thank you.

9 MS. GREGOIRE: Thank you. Claudia.

10 (Discussion off the record.)

11 MR. HOCHBERG: Senator, this is our Advisory
12 Committee. Just to familiarize you, this is -- each year we
13 produce, and you've been a recipient of, our Competitiveness
14 Report that shows how we compete as an export agency against
15 others around the world, and we've also calculated how many
16 there are.

17 Congress mandated, we were doing this about, close
18 to 40 years, and shortly after it started, there to be
19 independent -- people from the business and nonprofit and
20 think-tank world and different industries represented to
21 review the report, to make sure that it's an accurate
22 reflection of what's going on. So that's, just to make it
23 clear, who is sitting at the table here. It's also an open
24 meeting, so there's some non-Bank people. There's a person
25 from the trade press as well, just to -- so you understand

1 who this is.

2 Let me for our committee, Senator Mark Kirk, as in
3 the Kirk-Heitkamp bill, Senator Kirk has been a spectacular
4 leader, because the initial bill began in the House by
5 Stephen Fincher -- worked also with Frank Lucas -- but, when
6 it really came to the Senate and it came to Senator Kirk's
7 office, was taking a bill that had a lot of elements to it
8 but, frankly, was not frankly, candidly, as workable and I
9 think what the senator has done is found a way to forge a
10 bipartisan bill that would add to the needs of Congress and
11 to the needs of both sides of the aisle and, at the same
12 time, be something we can operate and continue to continue
13 our mission, because it's very -- we all know that times,
14 sometimes a law can get passed but can't be executed.
15 Senator Kirk was at the forefront of making sure and worked
16 with us closely so that we could get a bill, a five-year
17 bill, and get one that we could execute and execute well.
18 And so I am, and all of us are, enormously thankful for your
19 efforts on that in forging that bipartisan bill.

20 We had an earlier briefing by Erin Gulick and her
21 team about the fact that we had as many as 67 votes -- there
22 were a couple of votes from the Senate, so it's hard to know
23 which is the exact one -- but a high-water mark of 67 or
24 two-thirds. And I think, is Bryan -- where's Bryan? I also
25 just want to single out Bryan Blom, who worked with Senator

1 Kirk and did a spectacular job backing up and making sure we
2 got all of this done. So --

3 MR. KIRK: He's actually the reason why we won.

4 MR. HOCHBERG: Well, I really want to, my -- and I
5 will tell you, Senator Kirk is so dedicated on this issue.
6 If you think about competition, China has come out with a
7 plane that is a competitor to the Boeing 737. So we were
8 able to somehow purloin a copy or get a copy of that plane
9 from the Chinese and present it to Senator Kirk, and he has
10 used it to make his point throughout Congress: All right,
11 listen, this is a plane the Chinese are making, it's just
12 like the Boeing plane, and if we don't have an Ex-Im bank,
13 we're going to cede that business to China. So thank you
14 and thank you for joining us today.

15 MR. KIRK: Thank you. Thank you, Mr. Chairman. I
16 wanted just to come by and say that I am backing Ex-Im
17 entirely because of the threat from the C919 that -- the
18 model of the plane. It's the competitor to the Boeing 737,
19 which is the best-selling model that they have. E-737 sells
20 for about \$100 million each. If you're in the Congress, you
21 fly 737s a lot, and the Chinese manufacturer has already
22 booked 400 orders, which all should have been ours in
23 Governor Gregoire's state.

24 And, as someone who comes out of Navy aviation, I
25 will tell you, airplanes in reality are bottomless pits of

1 spare parts. If the plane is made in America or it's made
2 in China, that whole spare-parts stream leaves the country,
3 we want to make sure that we're always flying American. And
4 I would say, I've picked my favorite Boeing, which is now
5 based in Chicago, make sure that that company remains
6 totally dominant in the civil aviation space that we need,
7 and without Ex-Im we cannot keep that leadership.

8 I would say that in broad terms of politics, Ex-Im
9 makes sense in Illinois in the case of John Deere in Moline
10 and Caterpillar in Peoria. I would definitely say that
11 Ex-Im plays in Peoria. There is a growing caucus in the
12 Congress that is the do-nothing caucus, and Senator Heitkamp
13 is part of the do-something caucus. In the years to come,
14 we need more and more members of the do-something caucus to
15 make sure that we actually get stuff done, like 73,000 jobs
16 in Illinois which are totally dependent on Ex-Im Bank.

17 I would just ask, is Mary Howe here? Want her to
18 raise her hand here if she is. And the Howe Refrigeration,
19 we want to make sure that they highlight their role, as was
20 in the annual report. Mary, I wonder if you could tell the
21 group how many people you employ in the State of Illinois?

22 MS. HOWE: We employ about 35 in the State of
23 Illinois. We are seeing a lot of growth in exports, even
24 with the strength of the dollar. We were one of the
25 unfortunate customers of the Bank whose foreign receivables

1 insurance policy lapsed. When that policy lapsed, there was
2 just too much uncertainty and we cut back on all of our
3 export marketing. Since the Bank has been reauthorized, by
4 February 1st we will add another six people to our payroll
5 to cover exports.

6 MR. KIRK: Mary, where are the customers coming
7 from that you're adding new business from?

8 MS. HOWE: Central and South America.

9 MR. KIRK: Yeah. Okay.

10 MS. HOWE: But I can't tell you how much we
11 appreciate your support for Ex-Im. It means a lot --

12 MR. KIRK: I would say to the Advisory Committee,
13 if there's any new business that has come your way because
14 we have reauthorized, we in the Congress, we really need to
15 know that. I want to make sure the recovery of Ex-Im is a
16 story that people know about so the do-something caucus can
17 add to our numbers.

18 MS. HOWE: Thank you again.

19 MR. HOCHBERG: Well, I just want to add, thank you
20 for asking that question, because until you did, I did not
21 know you were adding six employees as a result of the
22 reauthorization. So that is great news.

23 MS. GREGOIRE: Senator Heitkamp was with us
24 earlier --

25 MR. KIRK: Right.

1 MS. GREGOIRE: -- and very much, you know,
2 reflected on the tremendous partnership with you, and
3 that's, in the end, what I think it took, was two people who
4 were willing to stand up, work bipartisan, and get it done.
5 So collectively, we can't thank you enough.

6 One of the questions that we asked her was what
7 lessons should we take away from what happened here so that
8 in 2019, when the reauthorization comes up again, we don't
9 have to go through -- you don't have to go through what this
10 experience reflected; rather, that you'd be on the side of,
11 you know, by acclimation, everybody reauthorizes the Bank.
12 What would you advise us, lessons learned, that we can --

13 MR. KIRK: I would say, Governor, that right now,
14 with 300 votes that we had in the House, we got to make sure
15 we stay in touch with those 300 allies and 66 allies in the
16 Senate. You know, keeping a customer isn't always easiest
17 to do, and we need to make sure that those 366 members of
18 Congress know and understand how much we appreciate their
19 support and hear the story of the reauthorization and how
20 it's addressing jobs. In my case, I will carry the message
21 to Senator Durbin and tell him that we're good to go with,
22 with Mary's operation.

23 MS. GREGOIRE: Great. Thank you. Questions,
24 you-all?

25 MR. KIRK: Yeah, just throw it open to anybody.

1 You want to ask about Donald Trump or something like that?

2 MS. GREGOIRE: Well, one of the other questions we
3 asked her, and we'd love to have your insights, is we don't
4 have a quorum. Can you share with us your thinking on when
5 we might see that happen?

6 MR. KIRK: My guess is right now we understand
7 that Chairman Shelby is pretty focused on his primary, and
8 the, ironically, primary is based on the, on the, on the
9 principle that he doesn't eat enough rocks in his cave; he's
10 not right-wing enough. And I think once Chairman Shelby
11 wants to move ahead, because he's definitely an old-school
12 chairman, we're going to want to respect that, and I think
13 it's going to be a delay now on all nominees, I understand,
14 from his committee --

15 MS. GREGOIRE: Oh, okay.

16 MR. KIRK: -- and we should respect that and not
17 turn him into an opponent on that level. And I have not
18 fully engaged with, on this. I don't know what critical job
19 a nominee would have to do, a reason why to get these
20 nominees to move forward.

21 MR. HOCHBERG: Well, Senator, in our case, we
22 have, Wanda Felton and I -- Wanda is our vice chair; I'm the
23 chair -- we need one more Board member to vote on any deal
24 over \$10 million. So that's -- in our case, we can do small
25 business, but the whole supply chain, as you talked about

1 with the Boeing aircraft, so we could not, we could not
2 approve any, for example, a large-scale transaction for
3 anything over \$10 million, and there's so many small
4 businesses in that supply chain, whether it's a Boeing or a
5 GE or Case New Holland or any of those companies. So it
6 really does impact the small businesses, which, I think,
7 some of the colleagues don't perhaps understand that supply
8 chain impact.

9 MR. KIERNAN: Tom Kiernan with the American Wind
10 Energy Association. Great to you see again.

11 MR. KIRK: Okay. Thank you.

12 MR. KIERNAN: To follow up on that, do you have
13 any sense or inkling for Chairman Shelby post his primary
14 where he would be on this nomination?

15 MR. KIRK: I should have prepared better for this
16 and known when the primary was in his state which I don't
17 know when that date is.

18 MR. KIERNAN: Mid-March.

19 MR. KIRK: And -- mid-March, yeah. So that's the
20 time to reengage, once he has defeated whoever it is and
21 he's feeling good; that I think we should join with
22 supporters of Ex-Im to say, hey, it's time to get to regular
23 order so we can reap the benefits of the omnibus.

24 MS. GREGOIRE: Any other questions? Senator,
25 thank you for your insight on the aerospace industry supply

1 chain. When I first came into office, one of the big issues
2 is we got through the 787 --

3 MR. KIRK: Right.

4 MS. GREGOIRE: -- and thus we started to look at,
5 do we have the supply chain that we need, the small
6 businesses in our state? Today, today -- and, again, I
7 attribute --

8 MR. KIRK: Right.

9 MS. GREGOIRE: -- that to the Bank -- we have the
10 largest aerospace supply chain in the world located in the
11 backyard of Washington state.

12 So when we talk about Boeing, that's what's so
13 frustrating to me. It's not a big company --

14 MR. KIRK: Right.

15 MS. GREGOIRE: -- it is, in fact, unbelievably,
16 thousands of suppliers that make it possible, and those are
17 small businesses, people with families who are desperately
18 in need of continuing to have that relationship with Boeing,
19 and Boeing can't do what it does without Ex-Im. So --

20 MR. KIRK: Right. Right.

21 MS. GREGOIRE: -- thank you for your wonderful
22 message and your insight. Thank you for being a champion.

23 MR. KIRK: Yeah.

24 MS. GREGOIRE: We -- there's not a whole lot we
25 can do to thank you in light of the regulations and rules

1 and ethics, but we want you to know that while small, our
2 thanks is big. We have a letter for you, signed by every
3 member of our Advisory Committee --

4 MR. KIRK: Oh, good.

5 MS. GREGOIRE: -- to let you know just how much we
6 appreciate your having been our champion and made it
7 possible for us to all get to work again.

8 MR. KIRK: I got to say, the government affairs
9 team was really good to work with. To get 300 votes and
10 then 66 votes in the Congress is pretty damn good. I would
11 say, hats off to Fred and the team, guys did great.

12 MR. HOCHBERG: And Erin, Erin, who is standing in
13 the back with Kevin, as well.

14 MR. KIRK: Erin is all the reason why we're here,
15 yeah.

16 MR. HOCHBERG: Exactly.

17 MR. KIRK: And I do want you guys to -- let me
18 take a point of personal privilege and have Bryan Blom stand
19 up. Everybody, if you could clap. It's too rare that
20 senators don't thank their own staff, because Bryan really
21 made this happen. Everything I gave to him he -- when we
22 started this battle, everybody said we were going to lose
23 it, and we just ground them up. Fredo (phonetic sp.) and I
24 made sure of that, with Fincher and team, and got that 66
25 votes in the Senate when we got that through, and make sure

1 people fly American, not Chinese --

2 MS. GREGOIRE: Great.

3 MR. KIRK: -- that's my goal. Yeah. Yeah.

4 MR. HOCHBERG: Thank you.

5 MS. GREGOIRE: Thank you, appreciate it.

6 (Discussion off the record.)

7 MS. GREGOIRE: So, Claudia, thank you.

8 MS. SLACIK: Very welcome.

9 MS. GREGOIRE: We're ready.

10 MS. SLACIK: It's good to see everybody. It's
11 good to catch up with some of you on what's been happening
12 since we last saw each other, and as good as that is, it's
13 mostly good to be, for us all to be back in business. I
14 can't tell you -- you know, one of the things we do here and
15 that we care about is keeping the staff's morale high, and
16 the best thing we could do about keeping the morale high is
17 to let people do their jobs.

18 So -- and, you know, every once in a while Fred
19 tests me, and he did it again today. Putting me after two
20 senators and the director of the Office of Management and
21 Budget is certainly a test. When I realized it last night
22 or yesterday afternoon and I saw the flow of the day, I
23 realized I better do something to kick it up a notch. So a
24 little bit into my presentation I'll be showing you some
25 pictures, and I have a video to show you, and so that's,

1 that's what I need to keep up with this.

2 So I'm going to quickly go through authorizations,
3 some of the 2015 accomplishments, and talk about restart,
4 what we did to restart the business in December, talk to you
5 a little bit about the current pipeline and a little bit of
6 a tour around the world of what we're seeing just in the
7 headlines and we can draw some conclusions from that, and
8 then what we're going to be focused on. So I guess I have
9 25 minutes or so, and I'll do this as quickly as I can.

10 So, as you all know, you know, this is a
11 countercyclical business, and so I thought, just so you
12 could see some trends, I'd take you back to 2010 as we were
13 -- you know, our business lags the economy, in addition to
14 being countercyclical. So in 2010 our pipeline was building
15 up with deals from the downturn of the crisis of 2008. So
16 you can see on that second line there our authorizations
17 went from 24.5 up to 32 up to 35.8; then 2013, as the
18 capital markets really started coming back, we dropped off,
19 and then this last year, because we were only in business
20 for nine months, our, our authorizations this year, as
21 you'll see in the annual report, are 12.4.

22 If we annualize that, it would be, it'd probably
23 come to 16.5. So we'd still be, we'd have fewer
24 authorizations or less authorizations. I don't want to say
25 down. I don't want to say worse. We're a demand-driven

1 business. That's how many people come to us. It's
2 important for us to be around when people really need us.

3 So even with the world in as good a shape as it's
4 been for the last few years, there was still this amount of
5 demand for us. And you can see in small business we were,
6 you know, close to 25 percent, and we've dipped down as low
7 as 17 percent in our authorizations. Again, a lot of this
8 is in, that I'm going to show you, is just in the annual
9 report, so you can see it; I just want to highlight some
10 things.

11 So the export value of that \$12.4 billion was \$17
12 billion in exports. We sent a little over \$400 million to
13 the Treasury, we supported just over 100,000 jobs, and
14 again, 24 and a half percent was for small businesses.

15 Again, just, you know, a chart here. You can see
16 how we divided between long-term, medium-term, and
17 short-term businesses, which really is tracking to how
18 things have been for the last four years, with, you know,
19 the long-term and the short-term being the predominant
20 businesses. Mostly large businesses are, take long-term
21 credit from us, and small businesses take short-term in the
22 form of trade credit insurance.

23 You can see what's happened over the last three
24 years in terms of the percentage of business that was small
25 business. We were under -- in 2013 we were under 20

1 percent. We're, you know, at 24 and a half now, and we have
2 a lot of things in store that we're building up so that we
3 keep that percentage above 25 percent going forward.

4 Here you can see our industries that we really
5 focus on. Not surprisingly, as we've been talking about for
6 the last couple hours, aircraft is the major industry, and
7 that's not just Boeing. That's commercial aircraft. That's
8 anything that goes into an airplane. So there's a lot going
9 on there. It's helicopters. So there's a lot in there
10 besides Boeing aircraft. And power projects are small, but
11 they're growing around the world. Infrastructure is
12 becoming more and more important, so that number will be
13 bigger this year, and then we have, you know, a good portion
14 of the business we did in 2015 in oil and gas.

15 So here, taking 2015 and how does that fit into
16 the firm's balance sheet, our total balance sheet, you can
17 see in 2015 that our total balance sheet was about 105, or
18 \$102 billion, and this is regionally how it broke out, which
19 I thought you'd be interested in seeing. Asia does, you
20 know, pretty consistently come in at 23, 24, 25 percent of
21 our total portfolio, with Latin America coming just behind
22 it and the United States, which is where small business, we
23 do a lot, you know, with small-business exposure. It's
24 about the same as, you know -- it's just a little bit bigger
25 than what we do in sub-Saharan Africa, which is a big

1 mandate of ours. But that's kind of how it lays out: Asia,
2 Latin America, Europe, then Middle East and Africa, and then
3 North America and sub-Saharan Africa being behind. But
4 that's the break out of our 102 billion, and that goes
5 against our cap, you know, which was 140 billion that we had
6 up until now, and now our cap is 135 billion.

7 Our overall exposure, not just 2015 in terms of
8 the deals we just did in 2015, but our overall exposure
9 broken down kind of falls in the same categories. So you
10 can see that consistency, where transportation is taking up
11 close to 50 percent and then it breaks out into those same
12 similar categories going on.

13 So what you can see here, we went from 112 to 102
14 billion, and it just means that we had more deals rolling
15 off and repaying than we, than we booked, which you would
16 kind of expect in an environment like we've had over the
17 last couple years -- again, countercyclical, right, and a
18 really, really strong capital markets environment out there.

19 And then here are, you can see our exposure by
20 country. Mexico, you know, has predominantly been, or
21 Pemex, and we have Saudi Arabia and India, China, United
22 Arab Emirates. I expect those to kind of stay the same
23 going forward, but that's where we have the preponderance of
24 business coming from right now.

25 So -- just catch up with myself here -- these are

1 the firm-wide goals in 2015: to expand outreach, to improve
2 customer satisfaction, to improve employee job satisfaction,
3 and to manage risk. We did, across the whole firm, we did a
4 lot in all these categories. In the part of the Bank I
5 manage, Export Finance, these were the predominant goals,
6 but I have to tell you the real story of 2015 that we've
7 only alluded to, in kind of rosy terms actually, was the
8 lapse. And it's, I have to say it's pretty easy to sit here
9 now, six weeks afterwards, looking back and saying, oh, we
10 all knew it was going to happen, and kind of glossing over
11 that.

12 These were very dark days here, 153 days where at
13 least 200 people in this building did not know what was
14 going to happen to them. Their job is generating new
15 business, and it was a very difficult time. What were we
16 going to do with those folks? Well, we did, we did a few
17 things, and I'll talk about the leadership for a minute, and
18 then I'll talk about the employees.

19 The leadership did a lot of really good things,
20 and I think while we weren't doing business, it really was,
21 in my time here, the leadership's finest hour, you know, and
22 probably the hardest management job many of us have ever
23 had. How do you keep these people busy? How do you keep
24 their morale up?

25 Some of the folks here are tired of hearing me

1 telling this, telling this story, but David McCullough wrote
2 the book about Lewis and Clark going up the, going up the
3 Mississippi River in the winter of 1804 and 1805. He had to
4 have his men just sit on the side of the river for three
5 months because it was frozen, and if you read Clark's
6 journal, one of the things he writes in almost exact terms
7 is, the only thing that happens to good men when they have
8 nothing to do is they get in trouble.

9 So that was our challenge: How do we keep people
10 busy? How do we keep them productive while we're uncertain
11 about what's going on, not that we knew it was going to go
12 for four months or five months, but how do we keep them as
13 productive as possible, doing the business of the Bank for
14 as long as possible, before we were going to have to start
15 furloughing people? And this place came together in an
16 amazing way.

17 My partners, Scott and C.J., every week held a,
18 what we called a brown-bag, but it was really an all-hands
19 meeting where they updated people in excruciating detail
20 about what was going on so we had transparency. We came up
21 with principles so that people knew all around the Bank, how
22 were we going to be making decisions. Were we going to be
23 making all of our decisions to make Congress happy, or are
24 we going to be making all our decisions to make just the
25 employees happy? How could they trust management? What

1 were our four or five principles that, that we were going to
2 be using?

3 We had a -- and, by the way, those, those
4 brown-bag lunches, we called them, they were updates, but we
5 stayed here, and Scott and C.J. stayed here until every last
6 question was answered every week. So sometimes those
7 meetings lasted for two hours, sometimes they lasted for an
8 hour, but they were not willing to leave the room until
9 everybody felt some type of assurance that they were at
10 least getting accurate information about where they were and
11 nobody was blowing smoke at them about where we were and
12 what our prospects were -- so a lot of nervousness, a lot of
13 anxiety, a lot of uncertainty.

14 In terms of leadership, I'll just show you some
15 pictures that I took on my iPad. You know, this is the --
16 this was way back, probably 18 months ago. It was a June
17 night, and I think Senator Reed was on the phone, and we
18 were talking with him, and I gave Fred a copy of this
19 picture, actually not too long ago, and I said the title of
20 the picture is This Is What Not Giving Up Looks Like.

21 And, you know, some of our guests, Jarrett
22 (phonetic sp.) came. Again, another scene, you know, this
23 was June of this past year. This is at, you know, like 7:45
24 or 8 o'clock. People are working. People are working more
25 and more, you know. People were not willing to go home.

1 What more could we do? Was there one vote we could change?
2 What more could we do? What more information could we give
3 out?

4 Then there was one day -- it was an extraordinary
5 day -- Steny Hoyer, Maxine Waters, and Denny Heck came, and
6 this is, this was quite an emotional 15-minute talk that
7 Steny Hoyer gave about the importance and the value of
8 public servants, and it couldn't have been a more well-timed
9 talk because people here were feeling pretty bad. The
10 contract they all may have made is that I'll work for the
11 government for reduced pay and maybe reduced whatever kind
12 of compensation, you know, the other kind of compensation
13 you can get, as long as I can count on my job, and we broke
14 that contract with 400 people here. So he came down, and he
15 gave an extraordinarily inspirational talk.

16 Maxine Waters, her speech right afterwards was
17 about how Jeb Hensarling was not going to get the best of
18 her ever, and that was pretty inspirational as well. And
19 let's see. This is Congressman Heck talking about, he was
20 actually talking about jobs.

21 So really, these, these -- well, lots of other
22 people came. Senator Heitkamp came once. Fred and Erin and
23 Scott put together an amazing list of speakers. We tried to
24 get people in here every now and then to come and speak. We
25 had, I don't know how many of you know, Diana Nyad came in.

1 You know, talk about someone who has incredible resistance
2 -- or, you know, perseverance, and she talked about what it
3 was like to swim from Cuba to the United States and having
4 tried it five times and you never give up, and you never
5 give up.

6 In terms of the people -- and let me just say
7 about, about the leadership here, you know, I've been here
8 for two, two years. I'm a political appointee. You know,
9 this, when this presidency is over, I won't be here, but the
10 leadership here -- and it is a lot about perseverance and
11 it's about sticking with it and it's about, you know, never
12 giving up, but it's also about being brilliant -- and our
13 tacticians here, about how to go against Congress and what
14 to provide, was brilliant, really brilliant. And so it
15 takes a good combination of determination as well.

16 So once the first couple of months were over and
17 people took their vacations and cleaned out their offices
18 and figured out what they were going to do, then it was like
19 August, and what do you do? Well, people ended up having
20 resolve and determination. We had to start sharing work;
21 particularly, other parts of the Bank had to start sharing
22 work with my folks in order to give them something to do and
23 feel, feel they're worthwhile.

24 And so the camaraderie and the esprit de corps
25 that was shown during, you know, jeez, October and November,

1 when things were really looking dark, we didn't know that it
2 was going to be over, and a frequent expression that people
3 used was we felt like POWs. Now, it wasn't war. It wasn't
4 that bad, but we were -- there was nothing we could do to a
5 large extent, but as I said, the resolve people had, the
6 camaraderie, the esprit de corps.

7 So I want to -- as I said, one of the reasons I
8 missed dinner last night was because I wanted you to
9 understand what it felt like to be here, and I couldn't
10 describe it. I couldn't, and I know -- it's going to sound
11 funny what I'm -- going to look funny for a second, this
12 two-minute clip I'm going to show you, and you can only
13 guess who the character is that Fred is playing, and you can
14 only guess the character who, who the Japanese commander is
15 playing. And let me just say, the, probably the only thing
16 that -- the Japanese are nothing like the Tea Party except
17 maybe they both drink tea and like, you know, elaborate
18 ceremonies, but why don't we -- and I'm going to play the
19 whole, it's about a two-minute-and-10-second clip, and it
20 really is to show you what I saw in the faces of the
21 employees here.

22 (Whereupon, the video was played and concluded.)

23 So it was the finest hour of a lot of people here.

24 So what did we do to restart? You know, people
25 were out, talking to clients all the time. We got

1 operations going back, getting back online, which took a
2 little bit of effort. Our contact center is still, you
3 know, we're getting that back up to speed. We're looking at
4 the pipeline. We're trying to figure out how to get
5 employees, you know, their morale up again and travel,
6 travel, travel.

7 In terms of the pipeline, you see here on the
8 first column where we were about a year ago. Our pipeline
9 of deals was about \$11 billion. As we went into the lapse,
10 our pipeline was about 9.5, and now we're at just over \$13
11 billion.

12 And what happened during the lapse? What's
13 happened during the lapse is the 9.5 -- you know, when we
14 came out of the lapse, there was pent-up; so we had new
15 renewals, if you'll just look at the third column, new
16 renewals of about 7.5 billion. That brought us to 17, and
17 then we had applications that have been approved taken out
18 of the pipeline and some deals withdrawn. You know, it's
19 about half and half. So that's how we ended up with the
20 13.8, where we are now.

21 And I think this pipeline is a really good
22 pipeline. It's been sanitized quite a bit. What's
23 different now, I think, with, given the world -- and I'll do
24 a quick review of some of the things going on -- is that
25 before, the pipeline might have been 12 or 15 months it

1 would take us to flush out a pipeline. This is probably a
2 24- to 36-month pipeline because projects around the world
3 have slowed down.

4 So what's the world coming to? I gave this
5 presentation to my colleagues a week ago, and so what I did
6 to talk about where are we in the world, I just went through
7 newspapers over three days and I took out some headlines,
8 trying to figure out, some things out. So I'll quickly run
9 through these.

10 Okay. So, jeez, this was two weeks ago, and it
11 seems to be true again today. All right. We're down 500
12 points, and so we are following that. I think we are not
13 where we were in 2008. This is showing that we're more like
14 a 1998 type of thing. It's a reaction to what's going on in
15 the world economy. Our economy is doing -- performing in a
16 way that doesn't substantiate this, what's going on in our
17 stock market.

18 I think in terms of oil, you know, oil is down to
19 \$27 and a half today, and it's going to stay down, you know,
20 for, for a while. I don't know, 20 to \$40, I don't know,
21 but those seem to be the numbers people are talking about.

22 Commodities prices are down. They're going to
23 stay down as long as that demand isn't there from, from
24 China and some of the economies that are faltering. And
25 some companies are beginning to feel the stress in profound

1 ways, and I think that there'll be a wave of international
2 bankruptcies.

3 The dollar is strong, so it's going to continue to
4 affect us. But exports from the United States, since we
5 have such a strong demand for a lot of our projects within
6 the country, you know, our exports are only 15 to 20 percent
7 anyway, so we're a little bit protected, but the strong
8 dollar will certainly have an impact.

9 Countries whose currencies are on the decline are
10 going to be doubly hit because most of their debt is
11 dollar-denominated and it's going to take more of those
12 rupees to pay us back, or to pay our capital markets back,
13 not the U.S. government.

14 So problems in Russia and the banking system; the
15 Africa is -- the African continent, for sure a rising middle
16 class but probably not rising as much as we thought. Things
17 are changing and probably for the better in Nigeria, but
18 South Africa seems to have a way to go. We have the
19 tensions in the Middle East, the terror threats, you know,
20 all over the world right now, what's going on with Iraq,
21 what's going on with Saudi Arabia and Iran. You know,
22 people are just in a -- it's a very difficult time. And
23 then in some of the industries, we've got the Bangladesh
24 going more into coal. You know, what is China going to be
25 doing in the power sector?

1 So all of these things are not going to resolve
2 themselves very quickly, and I think, you know, just in
3 terms of what I've been reading over the last, the last few
4 weeks, all of this that's going on now and even our
5 uncertainty, what do we need to kind of, you know, stop the
6 volatility?

7 Well, I think, one, the feds' narrative needs to
8 change. You know, we're not going to have four interest
9 rate hikes -- this, again, this is just me speaking -- can't
10 have, given the way the markets have reacted. There's got
11 to be some resolution of the political uncertainty in this
12 country. I think that's causing a lot of angst around the
13 world, as I talked to some of my banking colleagues in
14 London and Hong Kong. The Chinese stock market has got to
15 clear up. I mean, who even thinks that the Chinese stock
16 market is a reflection of the Chinese economy? I mean, the
17 Chinese economy is still growing. It's 6.9 percent or
18 something, right? It's not like it stopped growing. It's
19 not like it's declining. The need to stabilize oil and the
20 commodities. There needs to be improvement in the global
21 geopolitical situation, whether it's Jakarta or Paris or,
22 you know, whatever; there's got to be some improvement
23 there. The zombie companies, you know, there are a lot of
24 companies out there that low interest rates have been hiding
25 a lot of the problems, and you know, a lot of the zombie

1 companies need to restructure and just go out of business,
2 and you know, the dollar needs to increase.

3 So, again, just a quick, you know, three days'
4 worth of headlines there so you can just make some general
5 trends. You see some general trends that are going on
6 there, that it's, you know, it's a weird time in the world,
7 and we're going to be, continue to be at the whim of that.

8 So in 2016, again just to wrap up, we're going to
9 keep the same goals. We got out of the box, you know, in
10 December really fast, lots of client conversations. The
11 pipeline is up. We've got people working hard to improve
12 customer satisfaction when all we did was kind of hurt
13 customer satisfaction for 153 days. We're trying to improve
14 employee job satisfaction. Again, you know, we have a lot
15 to make up for with the, with the workforce here to make
16 them feel, feel good again about the jobs they're doing for
17 the American people. And we're going to continue to manage
18 risk. So with that, anybody have any questions?

19 MS. GREGOIRE: Well done. Thank you, importantly,
20 for sharing the insights of how tough it was. I mean --

21 MS. SLACIK: Yeah.

22 MS. GREGOIRE: -- we can see it's tough, but you
23 brought it to life in a way that no one else --

24 MS. SLACIK: Because we didn't know.

25 MS. GREGOIRE: Yes.

1 MS. SLACIK: You didn't know.

2 MS. GREGOIRE: Yes.

3 MS. SLACIK: You know, if somebody said on
4 December 4th it was going to be over, that'd be all
5 different, but every time there was this fork in the road,
6 something good could happen for us or something bad, it was
7 the bad --

8 MS. GREGOIRE: Yes.

9 MS. SLACIK: -- followed by bad, followed by bad.

10 MS. GREGOIRE: Yes.

11 MS. SLACIK: So it was, it was a tough time
12 here --

13 MS. GREGOIRE: Yes.

14 MS. SLACIK: -- and it was an extraordinary time
15 to see how people, the employees pull together and how
16 management led.

17 MS. GREGOIRE: Questions? Please, Sydney.

18 MS. SLACIK: Yeah.

19 MR. THWAITES: Hi, Claudia. I guess with the
20 accelerated need of the Bank in bad times, do you see the
21 strength of the dollar increasing the need for the Bank or
22 do you think exports are going to be, the volume of exports
23 will be hurt to the point that it would be less of a
24 pipeline to the Bank? Do you --

25 MS. SLACIK: You know, it's, I think -- I think

1 we'll be, well, they'll be increasing exports, but what goes
2 into that, you know, is going to be a variety of things,
3 because yes, currencies will affect short-term commodities,
4 but there are projects being built around the world that,
5 you know, really need American technology. And we keep
6 hearing, you know, yeah, this company went and bought this
7 piece of equipment in the Middle East, it was the cheapest,
8 and then in a couple years, the dam broke, you know.

9 So I think exports are going to continue, but I
10 think that there's some headwinds, but our stuff is really
11 good. Our, our stuff made in this country is really in
12 demand.

13 MR. THWAITES: Thank you.

14 MS. GREGOIRE: Jay.

15 MR. WHITE: Claudia, I don't think it's too big a
16 reach to say thank you for taking the, call it the
17 manufacturing, the nuts and bolts of this Bank through a
18 very tough time. As one of those many of your customers
19 that are in the capital machinery business --

20 MS. SLACIK: Uh-huh.

21 MR. WHITE: -- with 100 percent volatility in
22 year-to-year sales regularly, I ask you to take this lesson
23 to heart. I mean, this is, this is a wake-up call for this
24 organization, and I'd like it, like it to not do business as
25 usual going forward. That said --

1 MS. SLACIK: Well, we talk about, is it pedal to
2 the metal or do we, you know, what do we do --

3 MR. WHITE: Well --

4 MS. SLACIK: -- and we've chosen the
5 pedal-to-the-metal route.

6 MR. WHITE: I believe pedal to the metal is
7 exactly where we need to be. I'm looking at, you know,
8 you're borrowing base capacity. If you shoot exactly for
9 it, you're going to miss it. You got to get from 20 to 25
10 percent in small business. If you shoot for 25, you're
11 going to miss it. You got to go over it.

12 I came on this committee, not interested so much
13 in reauthorization, but to really cheer on this organization
14 to take on more risk. This is not about returning big
15 numbers to the Treasury. This is not about the lowest loss
16 ratios. This is about bringing a competitive advantage to
17 us who are out there trying to get a parts business that is,
18 is annuity for the future --

19 MS. SLACIK: Uh-huh.

20 MR. WHITE: -- we all want to have that.

21 MS. SLACIK: Without having an arm tied behind
22 your back.

23 MR. WHITE: Exactly. So this is maybe more of a
24 comment than a question, but I appreciate what you did with
25 your staff.

1 MS. SLACIK: Yeah. Yeah. Good, thank you.

2 MS. GREGOIRE: Thanks, Jay. Others?

3 MS. SLACIK: Fred was a tremendous leader during
4 this period of time.

5 MR. HOCHBERG: Well, let me just say, everybody
6 had a very tough job during the reauthorization. I think as
7 Claudia mentioned, since her staff is largely on all of the
8 new side of the deal, all about bringing in new customers,
9 new authorizations, new underwriting, that was probably the
10 largest single challenge.

11 Now, the folks that manage our chief financial
12 officer, our Asset Management group, it was somewhat
13 business as usual. General counsel and some of the deal
14 people, we, we closed on about 8 billion dollars' worth of
15 deals, but the folks in Small Business, the folks in, on the
16 new business side were really quite strained, and I also
17 just want to thank Claudia because she kept that team
18 together. We redeployed them throughout the agency. As a
19 result, as she said, I think, people learned what other
20 departments do. Some went to Policy. Some went to the
21 CFO's office. Some went to Operations. And so thank you,
22 because that was -- you had a, you had a very anxious group
23 of people --

24 MS. SLACIK: It's an honor.

25 MR. HOCHBERG: -- so thank you.

1 MS. GREGOIRE: And your presentation was great, by
2 the way.

3 MS. SLACIK: Thank you.

4 MS. GREGOIRE: You obviously took time, but you
5 did a great job in delivering, and you brought her home.

6 MS. SLACIK: It was two senators, you know. What
7 can I --

8 MS. GREGOIRE: Yes. Good on you, thank you.
9 Okay. Julie, back to our number one assignment.

10 MR. HOCHBERG: Claudia, I was asked, which role
11 was I? She wanted to know if I was Alec Guinness or Bill
12 Holden.

13 MS. SLACIK: Colonel Nicholson/Alec Guinness.

14 MR. HOCHBERG: That's who I thought I was, but I
15 didn't, I didn't even know Bill Holden was there. I didn't
16 recognize him. You obviously watch more old movies than I
17 do.

18 (Discussion off the record.)

19 MS. KALISHMAN: Okay. Good afternoon. It's
20 really great to see everybody again this year. I know the
21 Bank really appreciates all of your advice, but I personally
22 really appreciate all of the insight you have given me and
23 all the staff here on the Competitiveness Report.

24 So the reauthorization in December kept in your,
25 your role of providing comments to Congress which describe

1 how Ex-Im is meeting its mandate to provide competitive
2 financing. So unsurprisingly, this year the report will
3 focus on the lapse of authorization.

4 So the report covers the calendar year from
5 January to December. So we'll look, the first half, January
6 through June when the Bank was operating, though under the
7 threat of the lapse, and then for the time from July to
8 December, where we were lapsed, and then the last two weeks,
9 where, although we weren't lapsed, we couldn't do any larger
10 deals than \$10 million because we don't have a full Board.

11 So we're going to look at how the lapse affected
12 U.S. exporters: Could they hire new employees? Did they
13 have to cut back on hours because they were scaling back
14 production? Could they not add customers to existing
15 policies? Did they lose deals to foreign competitors? Were
16 they -- I know some were even approached by foreign ECAs to
17 move production outside the U.S. in order to receive foreign
18 financing.

19 On the flip side, we're also going to look at
20 foreign ECAs: What did they do during this time? Did their
21 government support them? Did they open new programs? Was
22 there new business? We heard that foreign ECAs were using
23 the Ex-Im lapse as a marketing tool: come use us because we
24 can provide financing but that Ex-Im is really risky.

25 So we really, really appreciate all of your

1 advice, all of your recommendations, and we are working
2 really hard this year to incorporate your six
3 recommendations from last year's report, and I'm just going
4 to quickly go through your recommendations and what we're
5 doing to address them.

6 So first you recommended new data, and we have
7 gotten a new report from TXF and CLEVIS Research, which
8 interviewed exporters domestically in the U.S. and foreign
9 exporters. We also have data from the Berne Union, which
10 asked different export credit agencies how their
11 relationship with, was with their government, did they have
12 the same type of tension that the Ex-Im had with the U.S.
13 Congress. We also have revamped our survey that we send to
14 exporters and lenders that worked with the Bank, and we're
15 hoping for a lot of good data from them as they describe
16 what they were experiencing.

17 You also asked us to make our information about
18 Chinese financing publicly available. So we are working on
19 the information spreadsheet, which we talked with Caroline
20 this morning about, and we're going to put that on exim.gov
21 so that other researchers can look at it and try and draw
22 their own conclusions about the state of Chinese financing.
23 We're working on the 2015 report to make that public, as
24 well, so when we release next year's report, we can do it
25 alongside the data.

1 As always, you've asked to increase our report
2 readability. So we're working on the report itself with our
3 communications team, hiring a designer. We're also looking
4 to increase the web presence, putting more data online and
5 as well as any sort of, any photographs, things that can be
6 more interactive.

7 You talked about looking at the deal life span; so
8 we are working with banking officers to choose a deal that
9 shows the impact of an Ex-Im deal. So this includes the
10 supply chain of the Ex-Im customer as well as follow-up
11 sales or relationships that they make that lead to other
12 sales. So although we might just finance on one deal, it
13 could have an effect for many years to come.

14 You also asked us to talk about the
15 point-of-experience survey, where we contact the exporter
16 right as they're working with Ex-Im. We have about -- we
17 have a small sample size for that this year because of the
18 lapse. So we only have about 38 responses. So we will
19 mention it this year, but obviously we'll have more robust
20 results when we're open for the full year.

21 And, finally, you have recommended something
22 completely outside the Competitiveness Report. You wanted
23 Bank staff to explore avenues in the ways it can improve
24 work with small business, and Jim Burrows is leading his
25 effort. He can address this more fully, but they are

1 working on this, especially to increase their digital
2 outreach.

3 So today I'm just updating you on what staff's
4 doing to create the Competitiveness Report. In May we'll
5 send you a draft of the report, and as you remember from
6 last year, at the third-quarter Advisory Committee meeting,
7 there will be a discussion of the Competitiveness Report
8 findings, and we'll finalize the committee statement, and
9 then we will send the report to Congress by the statutory
10 deadline of June 30th. So thank you guys so much, and I'm
11 happy to take any questions.

12 MS. GREGOIRE: Questions, you-all? Caroline, do
13 you have any questions?

14 MS. FREUND: We discussed already -- I mean, I can
15 make -- oh, sorry. All my questions were answered in the
16 session. I can make some comments, but why don't we see if
17 there are any questions directly for --

18 MS. GREGOIRE: Okay. Fair enough. Any other
19 questions?

20 MS. FREUND: -- Julie first.

21 MS. GREGOIRE: So I, being ever mindful about how
22 we go forward, I know what you said about we've got to
23 reflect on the pre-lapse, lapse, two-week post-lapse, but it
24 strikes me that that is a really big tightrope to walk. It
25 can come off as simply telling the truth, which I assume it

1 will do to those who are advocates for the Bank. It can
2 come off as whining. It can come off as defensive. So I
3 just, I think you ought to think it through and, in
4 particular, with Erin, as to how, how to do it in a way that
5 you're not going to cause trouble.

6 I think you got to be straight up and honest about
7 what happened here, don't misunderstand the point I'm
8 making, but I wouldn't want to cause us more trouble than
9 it's worth right now. So walking the straight line of
10 telling the truth and laying it all out that isn't going to
11 be received as defensive and whining is not an easy task --

12 MS. KALISHMAN: I appreciate that.

13 MS. GREGOIRE: -- know what I'm trying to say?

14 MS. KALISHMAN: No, I appreciate that. We,
15 definitely as a Bank, are looking forward, so to keep that
16 in mind --

17 MS. GREGOIRE: Yes.

18 MS. KALISHMAN: -- as we explain it to Congress.

19 MS. GREGOIRE: Yes, but they need to know. Like,
20 don't misunderstand what I'm saying, but I don't envy your
21 task at hand, frankly. So, Caroline, do you want to make
22 some --

23 MS. FREUND: Just to, I guess, where it can almost
24 be moving to the subcommittee reports, unless you need to --

25 MS. GREGOIRE: But want to do it while she's here?

1 That would be great.

2 MS. FREUND: Yeah, that's what I was saying, just
3 to --

4 MS. GREGOIRE: Perfect. Okay. Okay.

5 MS. FREUND: -- I noticed it was next on the
6 agenda. I can just kind of condense it all into one thing.
7 We had a great discussion, and I just really want to
8 congratulate the team, first of all, for finding these new
9 data sources, because I think this is an area where it's not
10 easy; and then, second, to comment on something they showed
11 me, because in the last -- last year I had made this point
12 that, you know, making the data publicly available both is
13 kind of the gold standard but also would be good for you
14 because people can do outside research and either verify or
15 not what your findings are. But they really have gone above
16 and beyond in doing this and did a search in, of all news
17 sources and have put together this table of 250 deals that
18 China is doing and then gone carefully through each deal to
19 see if it meets the standard as really being competitive
20 with the Ex-Im Bank on four categories. Just to say how
21 conservative they are, only 17 deals of these 250 meet that
22 standard.

23 So putting this data to show how conservatively
24 they're calculating these numbers and then comparing Ex-Im
25 Bank I think is a great way to do the Competitiveness Report

1 and making that data available. So I was just -- I just
2 really want to congratulate them because that must have been
3 a lot of work, and I think it will be a really useful
4 resource. It'll be something that, monitored over time, can
5 allow people to see how this is changing over time. So it's
6 just, I think it's an excellent contribution, and the data
7 is going to be public very soon, the data from last year's
8 report, and then the data for this year's report will become
9 public when the report comes out.

10 One of the other things we discussed was, you
11 know, as we've talked about always making the report easier
12 to read and leaner and all this, is whether it's time to
13 also shift to other media sources; in the day of the, you
14 know, 140-character message and so on, is it time to have,
15 like, a little video with some charts -- everyone says it
16 has to be under six minutes for people to actually watch it
17 -- to go with it or some of these interactive tools, where
18 you can click on a map and see what different, you know,
19 countries are doing, or something like that. So just to
20 think about does a report mean a physical report like this
21 or is it time to do more kind of electronic, virtual kind
22 of, kind of items that might have a bigger reach.

23 I think everything else Julie covered. I'm sure
24 there are probably questions on our timing. Fortunately,
25 I'm not traveling to China this year, so it'll be a lot

1 easier to, to do our letter. But I think the comment that
2 Governor Gregoire said on our letter will also -- we'll have
3 to think about that, that line as well, because last year it
4 was very carefully balanced on what message we want to get
5 across, and what message we want to get across this year I
6 think we'll have to think about. And that's it. Thank you.

7 MS. GREGOIRE: Questions of Caroline? So --

8 MR. HOCHBERG: I was going to make one comment.
9 Caroline, you made this, as did Matt Slaughter. I think
10 what Julie and Jim and the entire team are working on is
11 making this data more accessible so that academics, Ph.D.
12 students can use it, because if over the next two or three
13 years we can generate reports, studies, articles,
14 peer-reviewed articles, that will really help --

15 MS. FREUND: Uh-huh.

16 MR. HOCHBERG: -- have a better database and fact
17 base out there than we have in the past. So I think that
18 was a really good suggestion that we took to heart, and
19 we're going to make sure that's more available.

20 MS. GREGOIRE: And, Julie, I wanted to thank you
21 and compliment you and the whole team for being so open to
22 the recommendations and embracing them and moving forward on
23 them. That's just great. So thank you for your
24 presentation and thank you for your great attitude.

25 MS. KALISHMAN: Thank you.

1 MS. GREGOIRE: You bet. Okay. On the
2 subcommittees -- you're done, right, Caroline? Yes? Oh.
3 So environment and renewables, Luis is not here. Celeste.

4 MS. DRAKE: Sure, I'll start. I think we had a
5 really good meeting this morning, and we started off by
6 saying we were -- we had made plans last year to have Ex-Im
7 facilitate some meetings with environmental groups and with
8 the renewable energy exporters and really try to open up the
9 lines of communication and reduce some of the friction that
10 the Bank has had with environmental groups and then,
11 unfortunately, with the lapse the plans for the meetings
12 weren't able to go forward.

13 So we started with a review of did we like the
14 plan that we had last year and should we try to move ahead
15 now in 2016 with that, and I think we had some good
16 discussions about which groups to include and how the Bank
17 can address, you know, when it seems that it's under attack
18 from a particular environmental organization and really how
19 to open up the lines of communications so that the
20 environmental groups understand more of the markets that the
21 exporters are facing and just that, you know, we can open up
22 and have better relations. And I think maybe other members
23 of that subcommittee can add more.

24 MR. KIERNAN: Happy to quickly add, though that
25 was a great summary, there was also a quick reference at the

1 end. The environment committee over the last couple of
2 years has had some short recommendations of things that the
3 Bank should work on year over year, and I know last year and
4 we requested this year a quick update on where we are
5 against those recommendations, what progress we've made so
6 that we understand, hey, here is what we wanted to try to
7 do, here's the progress we've made, and hence what do we
8 potentially want to work on this year, what are
9 recommendations going forward.

10 So that's, I think, very much in the works. Staff
11 can get us that update, and we'll keep, with staff
12 leadership, chugging away on that list.

13 MS. GREGOIRE: So good point. This last year we
14 had intended not necessarily to have each subgroup create a
15 whole new set of recommendations, which had traditionally
16 been the role of the subcommittees; but, rather, where they
17 really felt it was necessary, do it but reflect on the
18 previous recommendations and say, well, did they ever get it
19 implemented; if not, what was the consequence; if they were,
20 what was -- was that good or bad and what do we want to do
21 about that.

22 So I think we ought to still go back to that, like
23 you're suggesting; and, probably more importantly this year
24 than previous years, definitely have reports so that the
25 next Advisory Committee has that in hand, which will be

1 potentially in the nature of a transition document if they
2 keep those respective subcommittees.

3 So can I ask you, in your thinking on the
4 meetings, do you have a sense of timing?

5 MS. DRAKE: I don't, I don't think we actually
6 discussed timing, but --

7 MR. KIERNAN: Didn't discuss it. I think there is
8 a sense of, I don't want to say urgency, but a desire to get
9 these dialogues going. I would say there is pent-up
10 opportunity for communication and collaboration. The staff
11 sense it. I know the environmental community, there is some
12 frustration and interest in dialogue -- so I think sooner
13 rather than later, like a lot sooner.

14 MS. DRAKE: Absolutely.

15 MS. GREGOIRE: So in the subgroup I was in this
16 morning -- and I thought that Senator Heitkamp's comments
17 were telling, that don't let a lapse happen here, there are
18 stuff that's fresh out there, and this, I think, is one of
19 them. So, Mr. Chairman, I think meeting at least with the
20 environmental community as soon as possible -- and I'm happy
21 to participate or whatever you would like --

22 MR. HOCHBERG: Yes.

23 MS. GREGOIRE: -- would be in our best interest,
24 because as I mentioned last evening, I actually think they
25 next time can be advocates --

1 MR. HOCHBERG: Right.

2 MS. GREGOIRE: -- in light of what happened in
3 Paris and so on.

4 MR. HOCHBERG: Yes.

5 MS. GREGOIRE: All right. Okay. Thank you very
6 much. Jay.

7 MR. WHITE: Small business was trying to get its
8 wheels back under itself a little bit. Lapse applies to the
9 committees, as well, a little bit. We did have some staff
10 representation from Communications, Legal, Small-Business
11 Affairs, and the digital effort that's on hand.

12 We pretty much polled the members of the committee
13 as to where we felt the next, the next major topics, where
14 we needed to work the most. They kind of fell into three
15 categories. The first I would call awareness of the Ex-Im
16 products, the Ex-Im contact points, but awareness has to
17 lead to technical assistance as well.

18 When I say technical assistance, maybe clarify,
19 sort of the strategy of putting together an export deal.
20 There are too many small businesses out there that without
21 -- they may be coming to Ex-Im, they've never done an export
22 deal, and there's so much headroom in terms of pricing and
23 strategizing with your agents and who's going to gather what
24 information if there is going to be an Ex-Im application.
25 And staff was challenged to try to come up with an idea of

1 how we could package some of this so there could be almost
2 a, sort of a coaching-mentoring relationship on the business
3 deal of export.

4 Then the third that I want to hammer on is
5 small-business competitiveness. By the nature of small
6 business, you know, we only have a sample of four companies,
7 five companies, and small business falls into so many
8 categories. Many of us are in capital machinery. So, you
9 know, Kusum and myself and Don, we're very focused on the
10 medium-term financing, what's going on with that -- 1.6
11 percent of the business deals, ridiculous. We need to fix
12 that. We need to figure out how to make that happen because
13 that's our bread and butter. Working capital guarantee is
14 fine. Gabriel is, I won't say more of a supply
15 relationship, but he's, you know, selling inventory; he's
16 doing the insurance products. So really, we need to segment
17 ourselves a bit because small business is not a monolith at
18 all. We need to, we need to carve ourselves into pieces.

19 Mary was concerned with not just the medium-term
20 product but also what there may need to be to push for a
21 microproduct, I'll call it under 500K. This type of small
22 business is not being served by Ex-Im today that we know of.
23 Now, maybe, maybe we're going to be corrected on that.

24 Kusum brought up an interesting notion that many
25 of us in capital machinery are actually part of supply

1 chains attached to the larger exporters -- the Rockwell
2 Automations, the Allen-Bradleys, the big groups -- and how
3 do we marry our export expertise from the OEMs that are
4 small businesses with the large manufacturers, how do we tie
5 ourselves together and maybe have them help us or we work
6 together somehow.

7 There was a notion that I think was brought up by
8 Jonathan Kim that there's an Ex-Im 101 class and even some
9 of our membership within the committee, we really don't know
10 all the products and where they tend to get used. You know,
11 it's one thing to look at a product and you go, great, but
12 what is that? It's much better to have -- if we're going to
13 function as advocates of small business, we have to have
14 some idea of, oh, well, if you're a such and such, then you
15 might fit into this type of product structure or a backup
16 structure. You have, let's say, your medium-term to sell
17 the machine; you have credit insurance to sell parts, that
18 type of thing.

19 So we have, we've either mapped out a lot, or
20 we're kind of tripping on ourselves with too much. We need
21 a little bit of structure, and we're going to be working on
22 that.

23 MS. FELTON: Excuse me. What was the last thing
24 you said? Medium-term to sell machines and what to sell
25 parts?

1 MR. WHITE: Credit insurance --

2 MS. FELTON: Oh, credit insurance. I'm sorry. I
3 didn't hear you.

4 MR. WHITE: -- for the parts.

5 MS. GREGOIRE: Any questions or additions on that
6 one?

7 MR. NELSON: Yeah, just to --

8 MS. FELTON: I would just say that's an
9 outstanding set of recommendations.

10 MS. GREGOIRE: Yes.

11 MR. NELSON: Yeah, just to follow on that same
12 topic, the mandate to increase small business at 25 percent,
13 there's a lot of small businesses, including myself and some
14 others on this committee, who aren't familiar with all the
15 products available; and, if we were familiar, we could help
16 other small businesses that we come in contact with
17 understand the opportunities that the Ex-Im Bank has for
18 their business. And so we discussed, you know, what are the
19 opportunities as far as to be better educated on the
20 products of the Bank and how to use them.

21 MS. GREGOIRE: Good.

22 MS. FELTON: I would just say offhand that Ex-Im
23 101 for the Advisory Committee, maybe in a morning -- you've
24 used the time to have subcommittee meetings, and certainly
25 that's very valuable and important because you only come

1 together infrequently -- but perhaps there might be some
2 opportunity to, you know, the evening before, day before, in
3 the afternoon before the dinner, to have a 101 in order to
4 get more familiarity with the products.

5 Two, the question about the microfinancing, I
6 think the global credit express product serves that need
7 currently. So we do have a product focused on that.

8 MS. GREGOIRE: Okay?

9 MR. HOCHBERG: Okay.

10 MS. GREGOIRE: Good. The last one is public
11 engagement. As Heidi put it, our pickle lady isn't here who
12 chairs it, so Steve or Sydney.

13 MR. STEPHENS: I'll be the pickle man.

14 MS. GREGOIRE: There you go. There you go.

15 MR. STEPHENS: Well, a lot of overlapping,
16 overlapping themes, but I think the lapse was a painful
17 reminder that we have to try to plan to kind of engage our
18 customers better, to tell the story of Ex-Im Bank better.
19 And so the first level is, a lot of our existing customers
20 felt the threat of losing the Ex-Im Bank guarantee -- so
21 they're ready to go and meet; we just have to ask them to
22 mobilize -- and how do we, how do we mobilize our existing
23 customers.

24 The second would be our, kind of our third-party
25 advocates, whether it be the Chamber of Commerce; we talked

1 about alliances with the SBA. Are we aligned -- are our
2 interests aligned with the Chamber of Commerce? Does the
3 Chamber of Commerce really see us as one of their
4 priorities, as you mentioned? So who truly are our
5 third-party advocates and kind of engage them.

6 And then the, right, the theme of the third
7 category is just all the, all the prospective clients who
8 don't know the story, don't know the products, and really
9 don't even know what the benefit of Ex-Im, and it's just,
10 you know, again, a painful reminder, we just -- we have to
11 do that better, kind of collectively, and so what does that
12 plan look like and how can we help.

13 So that's kind of the -- and the staff was
14 already, I think, working on a lot of that, a lot of that
15 work itself. So we just have to help, you know,
16 collectively execute on that.

17 MS. GREGOIRE: Sydney.

18 MR. THWAITES: And, as an addition to that, I
19 think just the momentum of all of the activity around
20 reauthorization, to keep that momentum going. As a customer
21 of the Bank, we really haven't had a reason to be vocal to
22 our supply chain and our employees and our customers about
23 the Bank. Now that we see the risk of not reauthorizing the
24 Bank and that coming risk again in 2019, I think using the
25 momentum to get the customers of the Bank, like us, to

1 really reach down and educate our supply chain, our
2 customers, and our employees, to use the momentum to get
3 that done. The further away we get from it, the lack of
4 urgency we see.

5 MS. GREGOIRE: And I would simply add to that,
6 Mr. Chair, that being from the school of half empty, not
7 half full, we actually think we did a lot of educating, in
8 large part, because of the crisis, and therefore what Sydney
9 said, we can't let that lapse and see all of that as
10 negative, rather as positive. Now if we can just get out
11 there and engage with the small business community and so
12 on, how much better off we'd be.

13 The other thing that struck me, now that I've been
14 on this for a few years, is at that particular meeting this
15 morning, as we listened to the discussion of engagement with
16 Congress, engagement with governors and mayors, the use of
17 social media, et cetera, et cetera, I harken back to when I
18 first joined here, and we are a different organization in
19 terms of public engagement, and I don't want that to be
20 lost. Now, I think the crisis did it to us --

21 MR. HOCHBERG: Yes.

22 MS. GREGOIRE: -- to be perfectly honest with you,
23 but again, half full, that's good --

24 MR. HOCHBERG: Right.

25 MS. GREGOIRE: -- that's good.

1 So I'm with you, Sydney. We can just seize the
2 moment, right, and get out there and do while the moment is
3 fresh in everybody's mind; to keep our friends with us and
4 engage more friends and get that small-business sector
5 really understanding what the Bank has to offer, I think we
6 will find ourselves in 2019 in a different shape.

7 MR. STEPHENS: Carpe diem.

8 MS. GREGOIRE: Anything else, you-all, with regard
9 to the subcommittees? I did them all, didn't I? Is that
10 right?

11 Okay. Great, everybody. Thank you. So if we can
12 prepare and put in our heads when we would draft a
13 subcommittee report, need to have it finished, and we'll
14 think a little bit about the transition concept and how that
15 plays a role, like you mentioned --

16 MR. HOCHBERG: Right.

17 MS. GREGOIRE: -- would be important, we will put
18 our minds together on that.

19 With that, it's time now for the public comment
20 period. Do we have anybody who would like to make a public
21 comment? Seeing none, Mr. Chair.

22 MR. HOCHBERG: I just want to reiterate my thanks
23 for all of you for re-upping for another year, which enabled
24 us to get to the work of the Advisory Committee right away.
25 We will have our next meeting over the annual conference, on

1 that Friday afternoon, April 8th. So we encourage you to
2 come join us at the conference, and then we'll have our
3 Advisory Committee after that lunch that day, and we've done
4 that once before. And then we'll have a meeting, I guess,
5 early June, be sort of the final meeting, and then we get
6 the report out.

7 But I really want to thank everybody for their
8 very active engagement, not just here, as I said earlier,
9 but on the whole process of the Bank and in really bringing
10 your common sense and your outside experience to the fore
11 here. It really has made a difference under the leadership,
12 particularly of Governor Gregoire.

13 So I want to thank our governor and chairperson
14 and the committee as well, as well as those stalwarts on
15 staff who were able to stay through the entire meeting --
16 and those are not ones who came to the last hour so it looks
17 like you came for the entire meeting; those are particularly
18 clever. But I want to -- and, also, we did have a lot of
19 guest speakers. I think we crammed the year of guest
20 speakers into one meeting. So I just want to thank you all
21 for that.

22 We're looking forward to a really good report this
23 year. I think this report and the work you do is
24 increasingly important in distinguishing what we do, how we
25 contribute to the economy, and helping that education

1 process. And I think, Caroline, I think there were some
2 great ideas about some more interactive -- more through
3 social media, more through a video would be a really great
4 next step we do in terms of making this more alive and more
5 readily available to people, so thank you.

6 So thank you, all. We will see you all in April,
7 and get out of town before the snow hits.

8 MS. GREGOIRE: Thank you, everybody.

9 UNIDENTIFIED SPEAKERS: Thank you.

10 (Whereupon, at 2:58 p.m., the meeting was
11 concluded.)

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Digitally signed by Wendy Campos

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January 28, 2016

Transcriber

Date

EXPORT-IMPORT BANK OF THE UNITED STATES

ADVISORY COMMITTEE MEETING

Wednesday, June 1, 2016

11:17 A.M.

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

PRESENT:

COMMITTEE MEMBERS:

Christine Gregoire, Chairperson
Steve Stephens, Amegy Bank
Don Nelson, Ramsgate Engineering, Inc.
Jay White, Morrison Textile Machinery Company
Sydney Thwaites, Lubricating Specialties Company
Mary Howe, Howe Corporation
Kusum Kavia, Combustion Associates, Inc.
Owen Herrnstadt, International Association of Machinists and
Aerospace Workers
Caroline Freund, Peterson Institute for International
Economics
Gabriel Ojeda, Fritz-Pak Corporation
Thomas Kiernan, American Wind Energy Association
Luis Ubinas, Former President, Ford Foundation

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Caroline Freund

Carla Hills

Jim Burrows

Dan Ford

Jay White

Tom Kiernan

Sydney Thwaites

Steve Stephens

P R O C E E D I N G S

MS. GREGOIRE: Hello, everyone.

UNIDENTIFIED SPEAKERS: Good morning.

MR. STEPHENS: Hello.

MS. GREGOIRE: How are you?

UNIDENTIFIED SPEAKERS: Fine.

MS. GREGOIRE: Here we are together again.

MR. STEPHENS: Here we are together again.

UNIDENTIFIED SPEAKER: Sounds like a country
western song.

MS. GREGOIRE: Yes. How many ever down after two
years and one to go, Mr. Chair.

MR. HOCHBERG: True, one to go, yes.

MS. GREGOIRE: One to go.

MR. HOCHBERG: One to go in this -- we still --
well, there will be a December meeting, but that'll be
the --

MS. GREGOIRE: Oh, no, that's not us.

MR. HOCHBERG: That's not -- right.

MS. GREGOIRE: That's not us. Let me just share
with you, when Fred asked if I would chair the group --

MR. HOCHBERG: Again.

MS. GREGOIRE: -- he asked, we just want to get
through EXIM reauthorization. I, I really understood that
to be the year. We're now three years later. So he says,

1 I've taught you a lesson: Always think in terms of timing,
2 not --

3 MR. HOCHBERG: Right, not events.

4 MS. GREGOIRE: -- not events.

5 Anyway, it's great to see all of you. Our main
6 purpose today, obviously, is to go over the Competitiveness
7 Report, a copy of which I think we all have received -- I
8 talked with Caroline, who chairs the subcommittee, a little
9 bit about what our cover letter would be, put ourselves on a
10 tight time frame because the thing has to get to production
11 -- and then have a report back on each of our respective
12 subcommittees and a little conversation about our document
13 that we're going to use as a transition document to the new
14 Board. So that's kind of the agenda for the day.

15 With that, I'll turn it over to you, Fred, for an
16 update.

17 MR. HOCHBERG: Okay. Well, let me first just
18 start by, again, thanking Governor Gregoire for her
19 spectacular humor and thoughtfulness in chairing this
20 committee, but I did learn a lesson; that is, always make it
21 event-driven, never put a date on anything, particularly
22 when the date is uncertain, though I don't think we believed
23 it was quite as uncertain as it turned out to be.

24 A couple of quick things -- one, just to remind
25 everybody, this is an open meeting. It's open to the

1 public, and we have a -- and thanks to Matt who sent out an
2 invitation -- we have a, probably a larger group, also, of
3 employees of the Bank who have joined us. We have, also, a
4 number of summer interns. So there may be some of those.

5 I'm going to just have people in the audience just
6 quickly -- just quickly stand up, name and where you work,
7 whether if it's here or elsewhere, just so we -- everybody
8 has a sense of who's in the room. We'll start with
9 Stephanie.

10 MS. THUM: Hi, I'm Stephanie Thum with EXIM Bank.

11 MR. TINSLEY: Ken Tinsley, EXIM Bank.

12 MR. RAGUSO: T.J. Raguso, Amegy Bank.

13 MR. SCHLOEGEL: Scott Schloegel, EXIM Bank.

14 MR. CRUSE: Jim Cruse, EXIM Bank.

15 MR. HOCHBERG: You could say where you are at EXIM
16 Bank, because -- just to make it a little more variety.

17 MS. GALDIZ: Isabel Galdiz, EXIM.

18 MR. BEVENS: Policy and Planning. Matt Bevens,
19 deputy chief staff, EXIM Bank.

20 MS. GRIS: Kimberly Gris (phonetic sp.), Policy
21 and Planning.

22 MS. ROLLINS: Cathy Rollins (phonetic sp.), Policy
23 and Planning, EXIM Bank.

24 MR. OBURE: Kevin Obure (phonetic sp.), EXIM,
25 Policy and Planning.

1 MS. STEPHENS: I'm Copa Stephens (phonetic sp.),
2 and I'm in the Trade Finance Division.

3 MS. TROY: Eugena Troy (phonetic sp.), EXIM Bank.

4 MS. WILKINS: Michele Wilkins, Policy and
5 Planning.

6 MS. MAKKER: Tania Makker, the chairman's new
7 assistant, EXIM Bank.

8 MR. PHILIPSON: Joe Philipson, EXIM,
9 Communications.

10 MS. ROBERTS: Paxton Roberts, EXIM Bank, Policy
11 and Planning.

12 MR. TOMAN: Kyle Toman, Policy and Planning.

13 MR. HOCHBERG: There's no one upstairs in Policy
14 and Planning. They're clearly -- clearly, they're all here.

15 UNIDENTIFIED SPEAKER: They all wrote the report.

16 MR. SANCHEZ: Cesar Sanchez, Office of the CFO.

17 MR. HALL: C.J. Hall, EXIM Bank, chief operating
18 officer.

19 MS. FREYRE: Manana Freyre, general counsel of the
20 Export-Import Bank of the United States.

21 MR. WARNKE: Kevin Warnke with Congressional and
22 Intergovernmental Affairs.

23 MR. MORIN: Bob Morin out of Business and Product
24 Development.

25 MR. PARSONS: Steve Parsons, Engineering and

1 Environment.

2 MS. SECOR: I'm Tanya Secor. I'm an attorney at
3 the Office of the General Counsel here.

4 MR. EBONEER: I'm Alex Eboneer (phonetic sp.).
5 I'm an attorney with OGC here.

6 MS. WALSH: Helene Walsh, Policy and Planning.

7 MS. JOE: Amy Joe (phonetic sp.), Policy and
8 Planning.

9 MR. HUNTER: Scott Hunter (phonetic sp.) in Policy
10 and Planning.

11 MS. FORMELLA: Linda Formella, Communications,
12 EXIM Bank.

13 MS. PROPHATER: Susan Prophater from the Research
14 Library.

15 MR. REGAN: Jim Regan, IBC.

16 MS. BERGER: Mary Berger, Washington Trade Daily.

17 MS. BEATRY: Erin Beatry (phonetic sp.), I'm the
18 public.

19 UNIDENTIFIED SPEAKER: New Hall International
20 (phonetic sp.).

21 MR. REID: Don Reid, OIG, EXIM Bank.

22 MS. SHEPPERD: Niki Shepperd, Office of
23 Communications, EXIM Bank.

24 MS. FAYE: Tia Faye (phonetic sp.), Office of
25 Communications, EXIM Bank.

1 MS. SCHOPP: Carolyn Schopp, Congressional
2 Affairs, EXIM Bank.

3 MS. ROGERS: Amanda Rogers from the Internal
4 Office of Communications.

5 MR. INSORIN: I'm Andrew Insorin (phonetic sp.)
6 with ING.

7 MS. SMITH: Krystal Smith, Information Management
8 Technology.

9 MR. CARROLL: Brad Carroll, Communications.

10 MR. HOCHBERG: We got it? Great. Thank you, and
11 particularly, we have a lot of new hires at the Bank and
12 over in -- particularly in Policy and Planning, a lot of
13 interns. So I'm glad you all joined us today.

14 We've got a number of -- some staff changes for
15 the Advisory Committee, just to bring you up to date, and
16 Claudia Slacik, who has been our chief banking officer, left
17 in early May, went back to New York, and she's pursuing some
18 things in the private sector. Claudia got married about six
19 months before she joined us; so she's now reunited with her
20 -- I guess you could still say bride, even though it's three
21 years ago. Are you still a bride three years later?
22 Anyway, her bride. So she is back in New York.

23 Brad Carroll, who is standing and leaning against
24 the doorjamb, has been our senior vice -- and still is --
25 our senior vice president of Communications but will be

1 departing this month for -- and now I understand it's public
2 -- to Ford Motor Company and will be working in their
3 communications department. So --

4 And just to give you an idea since we're here,
5 this is last year's Competitiveness Report, this weighty
6 tome is two years ago Competitiveness Report, and this is
7 the previous Competitiveness Report. So -- and I only show
8 you these three. They're just but one example of, I think,
9 how Brad and the Communications team have really transformed
10 how we communicate what we do at the Bank, how we make them
11 more understandable to public from the communication's point
12 of view to our branding, to, if you've taken a look at our
13 website, to the work that they're doing also with the
14 small-business group. You're going to hear from Jim Burrows
15 later.

16 So this is just -- there'll be a number of
17 thank-yous along the way since Brad -- we've got Brad; we're
18 holding on for another two and a half weeks. So thank you,
19 Brad, and this is just but one example.

20 Phil Calabro many of you have met, who worked in
21 my office, came in as a, I think as an intern or a temp and
22 then has moved on. And Tania Makker, who you met earlier,
23 is my new executive assistant, and Alexander Sewell had
24 joined us from Senator Landrieu's office, and he is also
25 returning to the private sector.

1 So those are a number, and of course, many of you
2 have met Joe Philipson, the redhead with a beard, who is in
3 Communications, in terms of speechwriter/writing, working on
4 the Competitiveness Report and others. So just to give our
5 committee a sense of some of the new folks who've joined us.

6 So today obviously we're going to talk about the
7 Competitiveness Report. We have a guest speaker, Carla
8 Hills, who was HUD secretary, also was at USTR under Bush
9 II, and she was actually only the -- she was the third woman
10 to ever have served in a president's cabinet. She's going
11 to join us today right after lunch. And we're also going to
12 hear from the small-business group on some of the plans they
13 have done and particularly as we've ramped up since the
14 lapse, because we were on a steady roll in terms of
15 generating more leads and we're back in the swing on that.

16 The last several months -- first six months of
17 this year, just to give you a perspective, we did just under
18 -- just under \$3 billion, \$2.9 billion in the first six
19 months of the year; last year the same period, \$6.3 billion.
20 So our volume is about half of previous years' levels.

21 We have, obviously, without a quorum on our Board
22 -- Wanda and I are the two remaining Board members for the
23 moment -- so we are blocked from larger transactions and --
24 certainly larger transactions, over \$10 million are
25 restricted until we have a quorum on our Board. We have a

1 pipeline of north of -- north of \$10 billion, about 30
2 transactions that -- and these are the -- those transactions
3 would require a board to approve.

4 We are accepting applications. We're working on
5 applications as they come, obviously. Just because we
6 receive an application doesn't mean we can -- it's done its
7 due diligence, underwriting, and so forth in that short
8 period of time, and on a weekly or monthly basis
9 transactions are ready to be considered by -- if we had a
10 quorum.

11 You will -- I'm going to also briefly cover Leg.
12 Affairs and CFO since -- to keep our meeting a little
13 shorter. You're not -- we won't have a separate
14 presentation from David Sena or Erin Gulick. From the CFO
15 point of view, we -- you may recall, one of the requirements
16 of our reauthorization is report our default rates to
17 Congress every quarter, every 90 days. We're currently, the
18 report we just sent up on March 31st, we're running at 0.262
19 percent. Essentially, a hair over one-quarter of one
20 percent is our actual write-offs at this time.

21 Surprisingly, I would say, we've had a record
22 number of Freedom of Information Act requests. Last year
23 was about double the previous year, and we are, at the
24 six-month, seven-month mark, we're about 80, 85 percent of
25 what we got last year. So I think there's -- there's

1 greater activity in that regard.

2 In Congressional and Intergovernmental Affairs --
3 and, Karen (phonetic sp.), if I leave something out, just
4 jump in -- President Obama nominated Mark McWatters, sent
5 the nomination up in January, and he, he is from Dallas.
6 Did you guys -- did you meet him? You met him. He is from
7 Dallas. He currently serves on the Credit Union --

8 MR. OJEDA: Yes.

9 MR. HOCHBERG: -- Administration Board. It is a
10 Republican seat on our Board. Our Board has -- three
11 members of the Board are from the President's party, and two
12 are from another party. It doesn't state which party; it
13 just cannot be the President's party.

14 So he was recommended by Mitch McConnell to the
15 White House. The White House made the nomination. He has
16 met with 16 senators, both Democrats and Republicans, and
17 met with Leader McConnell. Meetings have been very
18 positive, but on the other hand, confirmations are very
19 challenging.

20 Just to give you a comparison, at the same period
21 of time for President Bush, Clinton, and President Obama,
22 President Obama has 198 nominees confirmed, just under 200;
23 President Bush had 345, almost 350; and President Clinton,
24 286. So we're at a particularly low point in terms of
25 confirmations.

1 I had hoped and was optimistic we'd have a
2 confirmed member of the Board and a quorum by the summer.
3 That would require a hearing in June. It being June 1st and
4 there's been no murmur of a hearing, plus statements coming
5 out of Chairman Shelby would indicate that, I would say,
6 it's certainly -- it is possible, but it's, I would say,
7 it's improbable that we're going to have a quorum this
8 summer. The House and Senate go out on July 18th, right
9 before the, both Democratic and Republican conventions.
10 They don't come back until September. So we're going to
11 have to be looking at the fall in terms of a confirmation.

12 So, again, that doesn't stop the work of the Bank,
13 but that clearly does lead to what we're here to talk about
14 today, which is the Competitiveness Report, because our
15 competition is clearly impacted by the fact that we are --
16 one person referred to us, if we're -- we're sort of
17 fighting with one arm tied behind our back because we really
18 aren't able to fully deploy the tools of the EXIM Bank to
19 the business at hand. And if I've seen anything in the
20 seven years I've been here at the Bank, it's simply far more
21 competitive today than it was four or five years ago and
22 certainly when I started seven years ago.

23 And I think one of the things that Jim and the
24 Policy and Planning team uncovered, I think, in the research
25 is that -- and I've seen it firsthand -- and that is, more

1 and more countries have adopted -- I think Jim has referred
2 to this as the Asian model -- but where they're using their
3 export credit agencies in, as far more of a tool to increase
4 exports, not simply as we -- we look at it as a tool to
5 mitigate when there's a market gap or to meet competition.

6 I think more and more -- we were in -- Scott and I
7 were in the UAE, and UKEF, which is the renamed export
8 credit agency of the United Kingdom, put out a \$2 billion
9 sort of letter of interest to increase exports to the UAE.
10 That's -- that kind of activity is just ramping up in
11 Britain, in Britain again, France, Switzerland, Canada.
12 We're just seeing more and more of that.

13 So this report, I think, becomes critical in
14 making it clear to Congress and to stakeholders what the
15 competitive landscape that we're trying to create a level
16 playing field on and fill in those market gaps. So --
17 another way of saying thank you to the committee for your
18 work this year and particularly the somewhat late start we
19 got based on the lapse and so forth.

20 So we have a full day ahead. I don't want to take
21 any more time, but I can answer a question or two before we
22 go forward, if there are any questions.

23 MS. GREGOIRE: Can I ask you one question, Fred?
24 You said the number of public records request was up. Is
25 there a theme associated with that?

1 MR. HOCHBERG: I don't think there's a particular
2 theme there, there across the board. One is, there's a --
3 one is a school of journalism. So I fear we may be a class
4 project --

5 MS. GREGOIRE: Oh. Oh. Oh, I love it.

6 MR. HOCHBERG: -- because a large number have come
7 from one particular -- which is perfectly fine, but I
8 mean --

9 MS. GREGOIRE: Yes.

10 MR. HOCHBERG: -- I think that somewhat goosed the
11 numbers up because it looks like there's --

12 MS. GREGOIRE: I got it. I got it.

13 MR. HOCHBERG: -- a class project or a term paper,
14 or I'm not exactly sure the nature of it, but there's been a
15 lot of focus in that one particular area.

16 MS. GREGOIRE: Okay.

17 MR. HOCHBERG: So -- but, you know, that's the
18 nature of it. We have, as a result, deployed a lot more
19 people, people both in the general counsel's office to make
20 sure we're not sharing business confidential information,
21 but we -- C.J. and I and the CFO's office monitor how well
22 we're quickly, we're responding to FOIA requests, because we
23 need to respond quickly and -- to each and every one of
24 those.

25 In a similar light, we also monitor on a weekly

1 basis how we're responding to IG reports and so forth. So
2 that's something we look at at our weekly management
3 meeting, which happens on a Thursday: Okay, how many, you
4 know, how many requests in, how many went out, are we
5 staying on pace on that?

6 MS. GREGOIRE: Okay. Any other questions,
7 you-all?

8 (No audible response.)

9 MS. GREGOIRE: Okay. We'll dig right in. So, Jim
10 and Isabel, if you'd come forward and brief us on the
11 Competitiveness Report. Then, then what I -- here's what I
12 thought we would do, is before we comment and ask questions
13 of them, if Caroline would give us kind of an outline of
14 what your subcommittee is thinking about with regard to our
15 response. Then you'll be filled in on where that
16 subcommittee is, and then we can go ahead with the questions
17 and discussion about it, if that's all right with you-all.
18 Okay?

19 All right. Jim, Isabel.

20 MR. CRUSE: All right. Thank you, Madam Chairman
21 and the rest of the committee. This is a little unusual in
22 the context that we're reporting on not only a relatively
23 low level of activity but a world that has changed fairly
24 dramatically, and it's one of the main points that we would
25 like to get across from this report, is that although we

1 didn't spend as much time going out as we normally do,
2 because we only started the 1st of December, this wasn't
3 just about the loss of exports and jobs associated with the
4 fact that we were in a lapse four or five months plus and
5 the fact that there was a loss of EXIM credibility as an
6 institution and therefore a hole that we need to dig out of,
7 that one of the biggest things that we did find, when we
8 surveyed exporters and talked to our counterparts and
9 listened to what they're doing, is that the export finance
10 world is changing fundamentally. And that change is
11 changing from a world which since World War II was built up
12 in the U.S. image, and by that, I mean, it was built up with
13 a system of rules that controlled and minimized the use of
14 official export credit that was tied to exports.

15 The world that's emerging has two aspects to it
16 that are critically not in our image. The first is the fact
17 that what's happening is not a bunch of ECAs acting
18 independently and sort of episodically. What you have is
19 that almost everywhere else in the world exports have become
20 such an important part of GNP growth that ECAs are part of
21 national commitments.

22 There is a, never mind an export strategy or
23 whatever, there is a strategy within the government to
24 enhance everything that's associated with exports, because
25 exports are, if you look at the classic economics equation,

1 consumption plus investment plus net exports. Almost nobody
2 is able to boost consumption with fiscal policy. Investment
3 has slowed down because of various constraints, never mind
4 the low interest rates. So that almost every economy sees
5 net exports as one of the few ways that they can achieve
6 growth for their country. Therefore, the fact that their
7 ECAs are being given considerable national attention,
8 national support and resources is a global phenomenon, not
9 an episodic one that ECAs are stimulating.

10 That -- that fact is bolstered by the fact that
11 the countries, if they want to do exports, they look around
12 and see that the commercial banks, the traditional funder of
13 most medium- and long-term export financing, are slowly but
14 surely withdrawing from their role as a funder of
15 medium- and long-term export finance.

16 So if a country sees exports as a critical growth
17 factor and sees that the historical source of most of the
18 funding for that type of activity is disappearing, it's
19 fairly natural for those countries to turn to their export
20 credit agencies and say, Brother, we need you now. And they
21 are. They are doing that across the board, and the
22 consequences that we're seeing are changes that are not
23 things that, even when we become fully functioning, we're
24 going to have an easy time dealing with, because they are
25 going away from simply expanding, stimulating things by

1 having a lower interest rate or longer terms. Those are
2 controlled by the arrangement.

3 So what they're doing is going into all aspects of
4 export credit, short-term, working capital, and for an
5 example, in working capital we tend to connect our working
6 capital to a flow of exports. In many countries the working
7 capital is exclusively designed to be something that would
8 build a plant that might produce exports. That's very
9 different than what we're allowed to do with our working
10 capital, and that's what I mean when I say that they're
11 doing things that are not in the U.S. image. They're going
12 beyond traditional medium- and long-term into every part of
13 export credit and then doing it in a way that is not within
14 our charter that we would ever be allowed to do.

15 And that's compounded by the second aspect that's
16 happening, is that almost all of the ECAs are turning away
17 from the role that the chairman mentioned of filling gaps,
18 which since the late 1970s has been the predominant
19 philosophy guiding official export credit. In the '50s and
20 '60s, it was pure export promotion; everybody was supporting
21 their currency. After Bretton Woods -- those few of you
22 that might remember what that was -- went away, then it
23 turned into more of a rule-based system organized around the
24 OECD and filling gaps, today reflecting a variety of
25 functions, including the importance to exports, the

1 emergence of countries such as China, which are not within
2 the rules, that they're going to what I call a system of
3 national interest. All right. That means that they will do
4 anything that might someday affect a possible export out of
5 their country.

6 Now, have I put enough disconnections between a
7 direct export there, because they are not looking to simply
8 support and say, here's an export, we're going to finance
9 you. They're saying things like, okay, company down in
10 Chile, you're a mining company, we'll give you a few hundred
11 million dollars, we'll introduce you to a few people in our
12 country and, if over the next few years you happen to buy
13 some things from those companies or even invest in those
14 companies or even play Monopoly with those countries, we
15 might renew that mine. In other words, anything that you do
16 with those companies that might be in the national interest,
17 because those are our companies, so anything you do with
18 them we consider it to be a value to the country and
19 therefore it's something this ECA would be willing to
20 finance.

21 Now, that is a very, very broad definition of what
22 export credit does. It's a definition that is not
23 consistent with the parameters of our charter, but it is the
24 one that most of the ECAs today are adopting as their mode
25 of operation. So that when we get to full strength, we will

1 not only have a hole to dig out of, it'll be a hole that's
2 very slippery in the context of what will we do to counter
3 things that we are not legislatively enabled to do, how do
4 we match, how do we compete with a world that is built not
5 in our image. That is the challenge that is becoming to
6 face this agency and the U.S. exporters that we try to
7 support.

8 And so if there's one thing I am trying to get out
9 of this report is that, that story. It's not just the
10 lapse. The lapse and the losses there are critically
11 important, but they're a sign of a much bigger, bigger
12 problem, is that there is a very different tone and feel to
13 export credit every place else in the world than in the
14 United States and that when we do get back on our feet,
15 we're going to have a hell of a job.

16 Now, there's a whole lot of information here, and
17 Isabel knows more about the pieces of that than I do, but I
18 wanted to fully inform you of this, this sense that we are
19 getting as we listen to what's happening out there. Thank
20 you. After that, Mrs. Lincoln, you can say anything you'd
21 like.

22 MS. GREGOIRE: Well, Jim, let me -- I'm going to
23 ask Caroline to talk a little bit about where that
24 subcommittee is, but first, let me compliment you and the
25 entire team on a very, very well done job again. You know,

1 Fred showed us what's happened historically, and the changes
2 are fairly dramatic, obviously, with regard to the size and
3 the graphics and all that, which is -- a welcome mat is out,
4 but importantly, the content is exactly what it should be.

5 So I'd like to compliment both of you and your
6 entire team for what I can only imagine was a very difficult
7 job under the circumstances of the course of the last year
8 and yet well done as always.

9 So, Wanda, please.

10 MS. FELTON: Thank you, Madam Chair. I'd also
11 like to follow, I felt that the report was extraordinarily
12 well done and bringing out the point that we are in a world
13 that's very different and where countries are adopting
14 national economic plans and strategies in a way that we have
15 not had to face before. And the idea of an industrial
16 policy is just anathema in our country, but that's the world
17 we're in, and I think you've done a very effective job of
18 putting that forth. So thank you for the work.

19 MS. GREGOIRE: So, Caroline, if you'd summarize
20 kind of where the subcommittee is, and then we can begin the
21 questions and discussion.

22 MS. FREUND: So we're in the process of putting
23 together the letter that goes at the front of the report by
24 the committee, and so I just want to update you on where we
25 are in that process, and we'll hopefully have something to

1 circulate in the next few days. We'll all be able to go
2 back and forth on it and take any additional comments you
3 have besides what's mentioned here, with, I think, a final,
4 final deadline of a week from today, and hopefully, we can,
5 we can finish it quicker than that.

6 So, so one point the committee really wanted to
7 make is that EXIM is about jobs, the jobs that it creates
8 and the jobs that it's able to sustain, and that the lapse
9 and then, at the end of the year, the lack of a quorum have
10 meant that the Bank can't fully do this job and, despite
11 these tremendous constraints, the Bank remained profitable,
12 so to make the point that this isn't -- this, this -- the
13 Bank doesn't subtract; it actually, it actually adds to the
14 government coffers.

15 Of course, we want to reiterate this point about
16 the world we're in where the rest of the world's export
17 credit agencies are expanding and with some examples, such
18 as, you know, China's investment in Africa that's
19 export-related of 1 trillion and, you know, which really
20 highlights the EXIM Bank's limits in the current
21 environment; also highlighting SME support and the issues
22 that SMEs faced during the lapse and how much this impacted
23 competitiveness because they had nowhere else to turn, so in
24 some cases there can be kind of scarring effects, where
25 businesses can lose clients and such; along with that, the

1 credibility and uncertainty that exporters come with, with
2 not having an export credit agency behind them in a world
3 where maybe in the U.S. growth is okay but the rest of the
4 world in many countries are suffering and they want to see
5 an export credit agency behind lending in order, in order to
6 get the contract. So there's, there's this tremendous
7 problem going forward.

8 It's -- the Bank is especially needed, of course,
9 were any type of downturn or credit squeeze to happen
10 because that's precisely when demand would increase. So you
11 need the Bank in such times.

12 We'll also mention the other areas that come out
13 in the report where the Bank is less competitive, making
14 some note of specific requirements that some exporters
15 mentioned such as content requirements or shipping.

16 And finally, we'll turn to our recommendations,
17 and we came up with, you know, a few. One is just to
18 reiterate what the governor said about congratulations, the
19 recommendations we've made in the past. We think the
20 committee, I mean, the -- EXIM has done a great job with
21 putting together the report, especially on data and
22 gathering data around the world. Everybody's looking to
23 EXIM for this data and that they've made it public and some
24 academics are now using it.

25 We'd like to see more on supply chain research to

1 understand how many jobs the big exporters are also
2 supporting via the many small businesses that feed into
3 them. One area we would like to see in future reports, as
4 well, is the evaluation of the new technologies that are
5 being implemented at EXIM, so kind of -- I don't know if
6 you'd call it this here -- but kind of a one-stop shopping
7 model for SMEs and the new web-based technology, so -- and
8 how it compares to other credit agencies in terms of
9 competitiveness.

10 And then, finally, renewables -- more research to
11 understand how the EXIM can better serve the renewables
12 industry and to -- and to understand whether the credit kind
13 of slowed down in that area is a broader phenomenon of the
14 U.S. or if there's anything more that the Bank can do. And
15 I think what will be useful is, you know, if we've
16 overlooked anything, any main points that you guys would
17 really like to see in this letter, to discuss those now.

18 MS. GREGOIRE: So, please.

19 MR. HERRNSTADT: Yes, I agree with -- support what
20 Caroline has said. A couple quick things -- one, you know,
21 I do want to congratulate you on the report. I think this
22 time it's, it's much more objective. It has been in the
23 past, but I think you've listed some things that are very
24 insightful here including the issue of other countries, as
25 Vice Chair Felton just mentioned, have industrial policies.

1 They also have many other things, other than their own
2 export credit agencies, that help support and maintain their
3 own jobs. We have the U.S. Export-Import Bank, solely the
4 U.S. Export-Import Bank, which is why we believe so much in
5 the public policy requirements within the Bank.

6 I just wanted to make a couple quick comments.
7 It's no surprise, once again, that we have some exporters
8 and lenders citing some of the public policy considerations
9 -- economic impact, MARAD, foreign content -- as
10 constraining their competitiveness. It makes perfect common
11 sense, somebody who's applying for something, any restraint
12 on them would give some sort of negative response, but I do
13 wish to point out that, as in years past, the, the ones that
14 have the actual numbers of exporters and lenders who have
15 cited this are actually critically very low. It's a very,
16 very small sampling number on it. I know you've tried to
17 get the response up, and credit goes to you. There's
18 only so much you can do, but to make wholesale conclusions
19 that these policies are competing -- are, I'm sorry, are
20 making exporters less competitive may not be particularly
21 accurate on that. I'd like to note that.

22 For example, the economic impact part that you,
23 you put in your report, great job. I think you guys have
24 noted it was only a very small, small number, less than two
25 handfuls -- I think that would be easy -- of those that said

1 that there was some sort of negative response on it. And
2 you also note that in 2015 there were no full economic
3 impact reviews on it. So I think that kind of speaks for
4 itself somewhat.

5 The same can be said of foreign content, although
6 you do have a graph in here comparing the U.S.'s foreign
7 content policies with a variety of other countries and it
8 really doesn't look quite that bad. And I don't want to
9 spoil the contents of the report for those that are
10 anxiously awaiting it, but you'll see what I'm talking about
11 when the report gets issued with respect to that.

12 And you do note that EXIM does remain competitive
13 regarding minimum domestic content requirements. You go on
14 with the sentence there, talking about in terms of foreign
15 content and local cost as well, which I think is fairly,
16 fairly insightful.

17 In terms of MARAD, I'm still a little troubled by
18 some of the conclusions that may be there, some of the
19 perceptions that may be there given the, it seems like a --
20 and I'm going to say this for the first time in public, so I
21 may not actually pronounce it right -- plethora, plethora --

22 UNIDENTIFIED SPEAKERS: Plethora.

23 MR. HERRNSTADT: Yeah, thank you -- of exceptions
24 that are out there for those that are trying to get a waiver
25 of the MARAD requirements on it. So I'm still a little bit

1 troubled on that, but thanks.

2 MS. GREGOIRE: Good.

3 MR. NELSON: I have a question.

4 MS. GREGOIRE: Yes, please.

5 MR. NELSON: Jim, the comments that you were
6 making about these other countries, I guess, doing things
7 outside the normal means of an ECA, does that include the
8 countries operating within the OECD guidelines, and if so,
9 does that mean the OECD guidelines are basically out the
10 window except for the U.S.?

11 MR. CRUSE: Well, being outside the OECD rules
12 doesn't mean it's in any way illegal. The rules only apply
13 to a certain spectrum of activity, that is, tied export
14 credit. If they want to do untied export credit, if they
15 want to do investment insurance, if they want to do
16 short-term activity that has all sorts of other things
17 connected to it, there's nothing illegal about that. It's
18 just outside of the parameters of the OECD, and that's where
19 more and more people are going.

20 Now, is it because they don't want to be
21 constrained by the OECD or is it simply because they want to
22 be able to touch anything and everything that might be
23 related to an export someday somewhere? I can't go to the
24 motivation. I can simply note where they're operating and
25 what they're doing and the fact that that certainly is

1 potentially competitive with a directly tied export credit
2 and we're not likely to ever be able to go out there, and
3 I'm not advocating that we do. I'm just saying that they're
4 not doing anything illegal or untoward. They just have a
5 different view of what the country needs to be doing to
6 facilitate, maximize its internal growth, which includes
7 exports, but it can include a lot of other things that they
8 see export credit helping.

9 MR. NELSON: Okay. Thank you.

10 MS. KAVIA: A follow-up question to that, Jim --
11 again, it opened up my eyes, listening to you, and my ears,
12 the report. My question relates to what's going on right
13 now. Is that -- you mentioned the charter. So is the EXIM
14 charter ever changed, or is that a big ordeal or a process
15 or something we should not even talk about?

16 MR. CRUSE: I'm not even going to touch that with
17 a 10-foot pole. Erin or anybody else want to answer that?

18 MS. KAVIA: No? No? Okay. So something that's
19 just, we wouldn't --

20 MR. CRUSE: It -- in today's environment it's
21 quite a, it's quite a --

22 MR. HOCHBERG: Well, let me just -- I mean, it was
23 -- the fight over our charter is, in part, how we lapsed for
24 five months and four days. So we will certainly be looking
25 at what we've learned and partly learned with the lapse, and

1 some of the challenge we're having right now with the quorum
2 or -- a number of things we're going to look at for the next
3 charter renewal in 2019.

4 But in terms of, I think, what -- some of the
5 things Jim has highlighted, I would think that the mood on
6 the Hill is trying to find ways to cabin and constrain the
7 Bank versus looking at a more expansive view. So -- but
8 that's why the work, I would just add, why this work is
9 important, because that's not the view of everybody on
10 Capitol Hill.

11 And so the Competitiveness Report, I think, is an
12 important tool. It's an educational tool. It's one reason,
13 I think, as the governor said, you know, the content,
14 frankly, I think Jim and Isabel and all the public policy
15 team who's here today put more and more effort into getting
16 a better report, digging into more data. And I think, if I
17 can say, I think at a time a number of years ago this was a
18 compliance report; you know, Congress said you have to do
19 this, so we would comply. And I think now, I think the
20 entire Bank and the policy group sees it as a way, this is a
21 tool. And I, you know, I know from Isabel and Jim, they're
22 -- they and their colleagues are gathering data 12 months a
23 year; it's not just when the report comes out. You're
24 constantly meeting with other export credit agencies and,
25 and discerning what's going on.

1 So I think our -- the role of this committee and
2 the role of the report is to make sure that there's a
3 countervailing argument, that there's evidence on the other
4 side.

5 MS. GREGOIRE: Okay. Jay.

6 MR. WHITE: This probably goes more to Caroline's
7 cover letter in that I think the data has been wonderfully
8 presented and I would expect that the letter is a commentary
9 on things that perhaps are a little, little more difficult
10 to put into statistical form.

11 The one that bothers me the most, of all the
12 comments that Jim has made, is that we have an ECA credit
13 environment that is taking away from the franchises in the
14 United States in their incumbency in capital machinery that
15 is going to echo down the years if we're not going to find a
16 way to restore our competitiveness.

17 The purchase cycle on capital machinery, as most
18 of you know, is five, 10, 20 years, and incumbency, spare
19 parts, you name it, service, placing U.S. goods and capital
20 machinery around the world has been damaged in a huge way.
21 I don't know that it's measurable, but I'd like -- I'd urge
22 that some comment be placed somewhere in the letter that
23 there are many of us that feel that perhaps China's placing
24 themselves in Africa in a very big way in capital machinery
25 and we're losing, we're losing our ability to get out, out

1 front there. That's all I have to say.

2 MS. FELTON: I would like to add to that. One of
3 the things that I believe or I suspect will come out in the
4 letter but just wanted to reinforce a little bit is that a
5 statement that really makes it very clear that these are
6 likely not responses to the current economic cycle that many
7 emerging markets are facing but more likely long-term
8 secular trends that are here to stay.

9 And, you know, if you think about Africa and other
10 emerging markets that have very -- that are facing a
11 demographic time bomb, you know, where they've got
12 large-growing youth populations, unemployed youth
13 populations, and if they don't create jobs for these young
14 people, they're, you know, facing social unrest.

15 There's a real long-term impetus for this kind of
16 strategic approach to grabbing more exports share, you know,
17 by China, for example, in order to create jobs and focusing
18 on Africa or wherever it is, right? It's something that is,
19 is not going to go away any time soon, and that, as Jim just
20 -- as Jay just said, this has got long-term implications for
21 the United States, and how we approach this is going to have
22 implications that are going to be difficult to turn around.

23 MS. GREGOIRE: Good. Please.

24 MR. UBINAS: I would -- in reading this letter, it
25 made me think that in some ways it's a letter to the future.

1 You know, the dialogue, the national dialogue makes clear
2 that whoever is -- whatever our government is next year,
3 exports, export policy, and international competitiveness
4 are going to be absolutely essential to what that
5 administration is dealing with.

6 And as we think about the role of the EXIM Bank
7 but then, frankly, all the ancillary and related
8 export-related issues and entities, some of the elements in
9 this letter are a message to them to think about how we're
10 going to retain competitiveness in a world where domestic
11 growth isn't happening -- certainly not in Europe, and now
12 in many parts of Asia it's slowing down -- and export growth
13 is seen as the venue for economic growth, GDP expansion.

14 And so this letter in some ways is our note into
15 that near future that provides us an opportunity to provide
16 input into what is undoubtedly going to be a national
17 dialogue about how we shift to a world where export-led
18 growth is the common strategy for everybody.

19 MS. GREGOIRE: Good, Luis. Yes, please.

20 MR. STEPHENS: I don't know if it's a question or
21 just more kind of ask for some education. So if you had to
22 summarize, I think what I'm hearing is the playing field has
23 never really been level but it's just getting worse and
24 really no public policy to kind of support that reality.
25 Would that be a quick summary comment of what's, what's in

1 the book?

2 And then, of course, related to that, you know,
3 there's kind of a small-business component and then there's,
4 in my mind, trying to reconcile -- export business is very
5 important, but how do you reconcile that to what I
6 understand is an unprecedented flow of foreign and other
7 private capital into the U.S.?

8 While China's investing in Africa, we have, I know
9 in the Texas market, an unprecedented amount of Chinese
10 private capital coming into the state because they want to
11 get their money out of, out of China -- so reconciling
12 what's happening at the public sector with what's happening
13 in the private sector of really, where do you -- where do
14 investors want to have their money, in what denominations,
15 in what countries.

16 And so even in -- Houston's got, you know,
17 tremendous energy issues; we're flooding. There's still
18 just a lot of money that comes into the, into the Texas
19 market. So how does that really play into, you know, what
20 ECAs are doing in other countries with what's happening in
21 the U.S.?

22 And the last kind of educational question is, the
23 money does come in, I don't know how much of that goes to
24 small business, but it's, I know, a lot of real estate
25 investment in other areas. So when you try to distill this

1 down into here's these macro issues but for trying to really
2 encourage and grow small-business investment, I still
3 believe the U.S. is better than anywhere else in the
4 country. I know in Europe, you know, small businesses
5 cannot get loans. So there is still a demand for
6 small-business capital, and I see our major role as trying
7 to do that better than we have historically, not only the
8 EXIM Bank but also the, you know, the finance community.

9 So, so when you get down to the main street, where
10 is the benefit for kind of this macro change in ECAs and
11 then the private capital inflows versus what's happening in
12 other countries of really trying to offset that through kind
13 of governmental support? So that's a, that's a mouthful,
14 but can you speak to that?

15 MR. CRUSE: Not to all of it. I would say that
16 instead of looking at the environment as a level playing
17 field or not, it's more into a Wild West scenario. It's
18 just an absence of many parameters. It's not that some
19 people are cheating or anything like that, because a -- on a
20 level playing field gives that wrong impression.

21 Now, in terms of how this impacts small business
22 and the relationship of domestic investment, I think the
23 point of why so many people are looking at exports is that
24 there's not enough investment coming into most countries. I
25 think many parts of this country -- and I think Texas is, is

1 not the norm in terms of massive inflows. I think they have
2 massive inflows and that's not, that's not everywhere, but
3 that's why this country has the luxury of not being quite so
4 dependent upon exports and it's part of the reason why there
5 isn't the same emphasis, is that there's a lot else going on
6 here to create growth.

7 But in terms of small business, what's going on in
8 export credit everywhere else is going to probably come back
9 and affect small business because they've caught on to the
10 fact that leaving small business alone and not giving them
11 enough export credit support is probably not a great idea,
12 which they did for several decades. And so almost every
13 country has initiated brand-new small-business programs at
14 the export credit level that aren't in the norm. You know,
15 they're not just insurance programs; they're not just simple
16 working capital programs.

17 There's ways to stimulate the creation of a small
18 business. There's way to stimulate what they do and how
19 they do it. There are much broader, deeper, more creative
20 type of programs that are not simple, like I say, insurance
21 and working capital. That's likely to mean that there's
22 more small businesses elsewhere than there were and those
23 small businesses are likely to be more competitive than they
24 would have been, and that just means that ours are going to
25 face, in a very diffuse market, more competitors that are

1 funded and better capable of competing.

2 So I think what you're seeing happening elsewhere,
3 it first hits at a larger company scale, but I think what
4 they are intending to do is change the nature of their
5 economies to be more export-oriented and that's going to
6 filter down to the small businesses. It may not be obvious,
7 it may not be direct, but they certainly have it as part of
8 their intention.

9 MR. KIERNAN: Thank you. Going from the strategic
10 to, sorry, this is kind of mundane on the process level, I
11 know our focus as an advisory board is on the cover letter.
12 That said, is there an opportunity -- I had a chance to read
13 a couple of sections here that I think are outstandingly
14 done, do have some thoughts for potential edit. What's the
15 process there, you know, for consideration? Are we past
16 that window, or is there an opportunity to say, hey, what
17 about this or that?

18 MS. GREGOIRE: On the report or on our --

19 MR. KIERNAN: On the report itself.

20 MR. CRUSE: The report itself has gone through a
21 few interagency processes which makes it fairly cemented
22 into its place. While you can write into the letter
23 suggestions of tilth or whatever for next year or on this
24 year or emphasize something or de-emphasize, but the letter
25 really is where the Advisory Committee plays its role. We

1 can't really go back and open up the body. It was too
2 torturous getting to this point.

3 MS. GREGOIRE: Can I ask you a question? Is it a
4 substantive issue you want to discuss, or is it more a
5 clarification of something?

6 MR. KIERNAN: I think it's potentially something
7 that can get handled, following all kinds of discussion, but
8 in the letter. It's in the environmental section. We had a
9 very, I thought, good, rich discussion with the
10 environmental committee and renewables, and there's some, in
11 my view, some good work that's ongoing and some progress
12 that I think we -- I want to see acknowledged, and clearly,
13 it'll be part of our recommendations and may also
14 potentially fit within the cover letter. So let me give
15 some thought and see if there's some additional language
16 that might fit in the cover letter.

17 MS. GREGOIRE: So can we talk about that, because
18 in Caroline's subcommittee we had this very discussion, both
19 last night and then again today, because of what's going on
20 internationally with regard to renewables and so on, which
21 is what led to her recommending that we actually in the
22 cover letter have a recommendation: What are others doing
23 that we can learn from, and why is it that you have certain
24 places that are dramatically increasing their exports while
25 the opposite is true from the U.S. perspective?

1 And we tossed around some ideas about why things
2 are happening in the U.S. in the way in which they are, but
3 finally, Caroline concluded it by saying, let's ask the Bank
4 to take a look at it for the next report, what is going on
5 and what lessons can we learn and how can we do better under
6 those circumstances. Is that a fair analysis of where you
7 are?

8 MR. KIERNAN: Roughly, yes, I agree. So I think
9 -- and honestly, I focused more on this report and not on
10 the letter. So my bad for having not read it and having --

11 MS. FREUND: Well, you don't have it; so it's not
12 your bad.

13 MS. GREGOIRE: You don't have it to read.

14 MS. FREUND: It's our bad for --

15 MR. KIERNAN: That's good to know. It was funny;
16 like, I was feeling badly: It must be in Matt's e-mail
17 somewhere and I just missed it. Okay.

18 MS. GREGOIRE: So could you get whatever your
19 thinking is to Caroline by the close of our meeting today,
20 because our intent is she will get a draft out to us
21 following the discussion today, which we must comment by
22 Friday. Is that right?

23 MS. FREUND: Yeah.

24 MS. GREGOIRE: By Friday so it can go to the Bank
25 finalized by that subcommittee over the weekend, and then

1 the Bank will have our final the first of next week.

2 MR. KIERNAN: Got it. Presuming we or I have your
3 e-mail, that would --

4 MS. FREUND: Yeah, I'll make sure --

5 MR. KIERNAN: -- that can work.

6 MS. GREGOIRE: Okay. Yes.

7 MS. FELTON: I have one last thought, if I may. I
8 don't mean to overdo it here, but one last thought in terms
9 of just sort of the macro environment is, you know, this
10 notion that opening markets displaces U.S. jobs, and a
11 bigger factor likely is technology and the role of
12 automation. And so if you think about how exporting is a
13 way to grow market share for American companies in the
14 context of, you know, a robotics and automation revolution
15 that makes labor less efficient, then I think it puts an
16 additional context around it in terms of why it's so
17 important, and so just additional food for thought for the
18 letter.

19 MS. GREGOIRE: And it's one of the recommendations
20 that the subcommittee has suggested, exactly what you're
21 questioning and asking about. Good. Yes.

22 So, I'm sorry, we need to take a break because we
23 need to have a bite, and then our speaker is at 12:45. I'm
24 sorry. I'm on Pacific Standard Time. So I'm kind of like,
25 oh, it's only 9:10. So Fred reminded me that it is not

1 9:10. So if we could go ahead and take a break. We'll
2 reconvene after our speaker --

3 MR. HOCHBERG: Yes, we have time after lunch
4 for --

5 MS. GREGOIRE: -- and continue our discussion. So
6 lunch in --

7 MR. HOCHBERG: Yes, for the Board is next door.

8 (Whereupon, at 12:14 p.m., a luncheon recess was
9 taken.)

10 MS. GREGOIRE: Okay. You-all, we're going to get
11 started. We have a special guest with us today. First and
12 foremost, I'm going to have Fred introduce our guest, but on
13 behalf of all of us, thank you very much for taking the time
14 to join us. We're looking forward to hearing from you, and
15 I'll turn it over to Fred.

16 MR. HOCHBERG: Well, I always think, one day I was
17 at a meeting and -- I'm trying to remember who -- oh, God,
18 Moyers, what was -- Bill Moyers, yes, is in the room and
19 he's being introduced and he said, if this man needs an
20 introduction, either he's in the wrong room or you're in the
21 wrong room.

22 So Carla Hills, I have -- we actually met at a
23 dinner in Washington. We were seated at the same table,
24 although I obviously knew of her for many years, and I
25 mentioned earlier, she was our trade representative under

1 George Herbert Walker Bush, also HUD secretary, one of the
2 first three women to serve in the President's Cabinet and is
3 very knowledgeable about trade. And we've talked a bit
4 about the trade agenda, the trade -- how the U.S. and, and
5 how our politics are looking at trade right now, so I
6 thought that she would be a welcome addition and another
7 voice to share here at the Board, at our Advisory Committee.
8 So she agreed to join us, speak for 15 minutes or so, and
9 then just have an open conversation for the rest.

10 So with that, let me give you Carla Hills.

11 MS. HILLS: Well, thank you, Fred. It's a great
12 pleasure to be here and to meet the folks that are sitting
13 on the Advisory Board for the Export-Import Bank. What
14 you're doing is, is really important. When Fred asked me to
15 come over here, I said to Matthew, well, what do they want
16 me to talk about, and he said, why don't you talk about
17 trade and the benefits and the detriments, and I said, okay,
18 I can do that. And so let me get right into it because I
19 want to stick on time. I will put my watch out so I don't
20 transgress, and if anybody thinks I am, just raise your hand
21 and I'll turn it off, but let me talk a little bit about, on
22 the history of trade, what we have gained.

23 You know, looking back to 1948, when we formed the
24 GATT, up through 2008, we had a tremendous consensus.
25 Republican or Democrat, it didn't matter. They were gung ho

1 for trade, and it was Kennedy who said a rising tide raises
2 all ships, and he was way into the trade idea. And there
3 was a recognition that with five percent of the world's
4 population creating more than 15 percent of the output, we
5 had to go beyond our borders to find consumers, and the
6 economic benefits were really quite substantial.

7 Dr. Gary Hufbauer over at the Peterson Institute
8 for International Economics has calculated that as a result
9 of our market opening, the nation's GDP has gone up by a
10 trillion dollars, and that means it's raised the median
11 income by \$9,000. And our allies prospered. In those days
12 it was the Quad that really drove the trade negotiations --
13 Europe, Canada, Japan, and the United States -- all
14 relatively advanced economies, but it brought us together,
15 and we were strengthened to address other issues, but also,
16 the poor countries gained.

17 In my view, trade is the most effective
18 development tool that we have and also the least expensive.
19 Bill Cline, Dr. Bill Cline at the Center for Global
20 Development has calculated that in poor countries every one
21 percent increase in trade reduces poverty by one percent,
22 and that's really a remarkable connection. And so you can
23 say, wow, that's some humanitarian benefit, but it's also an
24 act of enlightened self-interest, like with the Marshall
25 Plan. When we create new markets or strengthen new markets,

1 those are our, our customers and our partners of the future.

2 And our last multilateral trade agreement was in
3 the Uruguay Round, the eighth round, the eighth GATT round,
4 and it created the World Trade Organization when it was put
5 into force in 1994. And I might note that when we sat at
6 the table and created the GATT in '48, we had 26 members.
7 Today at the World Trade Organization we have 162 members.
8 Believe me, that makes a difference in order of rule of law.

9 When you have rules, it not only tells you what
10 you can do and what he can do, but it also encourages you to
11 have rules that govern your domestic situation. And so that
12 makes a huge contribution in terms of security, because poor
13 countries that don't have rule of law and cannot secure
14 their borders become, really, havens for international
15 crime.

16 Somewhere along the road after 2008 we lost the
17 consensus about the benefits of trade. We had a pretty
18 robust election in 2008 where two respected senators,
19 Senator Clinton and Senator Obama, ran against trade and --
20 but nothing, nothing like we have today where neither party
21 is standing up for trade. And I -- and the whipping boy is
22 very often the North American Free Trade Agreement, and so I
23 thought I would just say a minute about what did the NAFTA
24 accomplish.

25 Well, first of all, it was the first agreement

1 between a rich country and a poor country, a developing
2 country and a developed country, and it set an example in
3 that way. It advanced trade rules. If you look to where
4 the trade rules were in 1993, what NAFTA did was eliminate
5 all industrial tariffs, eliminate, to open up the
6 agricultural market between the United States and Mexico --
7 we still haven't been able to do that on any trade
8 agreement; to open up the services agreement -- we're trying
9 to work on it right now with the Trade in Services
10 Agreement, TISA, but it hasn't been quite done; and to deal
11 with the rules of origin; so that we made the North American
12 region really the most competitive region in the world.

13 And if you compare 1993 with today, our
14 interregional trade is up more than 500 percent. Today
15 Canada is our first largest export destination, and Mexico
16 is our second largest, and believe me, that makes a
17 difference to small- and medium-sized businesses. They are
18 90 percent of our exporters, not in volume, but in numbers,
19 and to have them have that opportunity to expand their reach
20 is really very good since they create a majority, a huge
21 majority of our new jobs.

22 And every day 2 billion dollars' worth of product
23 crosses the northern border and a billion and a half crosses
24 our southern border. I doubt that 10 Americans know that,
25 and hence there is opportunity to educate them on what we

1 gain from the NAFTA. It not only has these benefits for the
2 North American region, because we clearly are more efficient
3 today than we were 20 years ago, but it also stimulated
4 market openings, what some economists call competitive
5 liberalization.

6 The Uruguay Round cratered in Europe in 1990. We
7 started the negotiation of the NAFTA in June of '91 after we
8 got fast-track legislation. We finished it 14 months later,
9 in August of '92. President Bush Sr. signed it in December
10 of '92, and President Clinton got it through the Congress in
11 '93, and it took force in 1994.

12 Within four months of January 1994, all of the
13 trade ministers were back at the table, finishing the
14 Uruguay Round and creating the WTO. The APEC economic
15 ministers met in Bogor, Bogor, Indonesia, and issued the
16 Bogor Goals: We're going to have free trade by 2010. And,
17 well, they missed it. And President Clinton held the
18 Western Hemisphere's leaders meeting in Miami in '95, and
19 there was a pledge to have Western Hemisphere free trade.
20 We haven't done it, but the excitement and the energy with
21 respect to trade was really quite substantial.

22 And so competitive liberalization works, but we
23 haven't done anything since the Uruguay Round benefits were
24 phased in by 2005. So really, about mid-2005, 6, 7, and 8,
25 it petered out, but the rhetoric against trade has really

1 become quite harsh. And there is a claim that NAFTA and
2 trade in general depresses wages, but I can call to your
3 attention a study done by the Fed with Yale that
4 demonstrates that all three economies' wages were increased
5 slightly, not greatly, as a result. They drew a causal
6 connection as a result of the NAFTA.

7 And looking forward, what can we do? The
8 Trans-Pacific Partnership was agreed to -- that is,
9 handshaked -- on October 15th, last year, and we're having a
10 dickens of a time getting positive rhetoric about it.

11 And so what is its potential? Well, the 12
12 partners that we have represent 40 percent of the global
13 economy and 26 percent of global trade. This agreement
14 would open markets with five of them, Japan, New Zealand,
15 Brunei, Malaysia, and Vietnam -- we don't have trade
16 agreements with those five -- and it would upgrade the trade
17 agreements with the remaining six, Canada, Mexico,
18 Australia, Singapore, Chile, and Peru, and it cuts 18,000
19 tariffs and cuts red tape -- again, a blessing for small-
20 and medium-sized businesses.

21 According to the Peterson Institute for
22 International Economics, real incomes for the United States
23 would go up over 130 billion. The annual exports would go
24 up about nine percent. A one-year delay would be -- cost,
25 have a permanent cost of 94 billion. You just keep

1 postponing it, and you lose that capture, and -- but
2 importantly, I think the loss would be a disaster for U.S.
3 leadership.

4 We've been at the table like this for roughly
5 seven years, and under the terms of the agreement, unless 85
6 percent of the region economies approve this agreement, it
7 craters. If we pull out, they can't get to 85 percent. Who
8 is going to sit down at the table and negotiate with us ever
9 again?

10 You know, they've taken political heat. When you
11 think of Ava (phonetic sp.) putting rice on the table, that
12 was tough for him, and he did it because he thought that it
13 would be a benefit, but if the agreement craters, I can't
14 imagine. We would have a hiatus of probably, of more than a
15 decade before some great leader could raise the flag and
16 say, follow me.

17 And I think that we need to give the benefits of
18 trade just a lot more attention. I understand that there is
19 concern about the loss of jobs at the lowest quintile. If
20 Vietnam sells us cheap tennis shoes, we're not going to be
21 as competitive as we were when we had a 25 percent tax on
22 Vietnam's tennis shoes coming in. On the other hand, if we
23 can open up the markets where we have a 40 percent tax on
24 machinery, 50 percent tax on autos, we need to move those
25 folks up. And so we need training, and we have a deficit in

1 our human infrastructure.

2 If I were the benevolent despot in the piece, I
3 would create training centers across the nation. I would
4 try to work with the chamber of commerce and various others,
5 but I would work with those that are publishing, now that
6 they have a skill shortage. And I know there are a lot of
7 things that -- in the State of Washington that are going on,
8 but they need to go on in every single state where they have
9 a skill shortage.

10 We have an overage at the bottom two quintiles and
11 an underskilled, and I don't think this is something where
12 we need to have college degrees or doctorates. When I used
13 to go on the floor of an auto factory, it was like Fifth
14 Avenue in New York. Today you go on the floor of an auto
15 factory or Boeing, they're all wearing covers on their
16 shoes. They've got white smocks on like they're in a
17 surgery room, and there are half a dozen of them. It isn't
18 crowded at all because it's all done with technology. And I
19 need someone who can come and fix my computer, so I need a
20 skilled worker, and a lot of other people do too. I think
21 that's where we ought to push forward, and the gains from
22 trade, I think that this is a sell. If we get \$130 billion
23 gains from trade, we ought to be able to allocate a portion
24 of that to improve our human infrastructure, and so that's
25 where I come out on trade.

1 I think I've stayed within your limits, and I'm
2 happy to answer any questions, but I hope and pray that all
3 of you will talk to your Congress people and say, you got to
4 get this thing done. I don't care whether you're a Democrat
5 or a Republican or you're an Independent. This agreement
6 needs to be passed or we suffer.

7 Yes, sir.

8 MS. GREGOIRE: Well, thank you for your passionate
9 comments. It was great. And so if you'll allow us, we have
10 some questions. Gabriel.

11 MR. OJEDA: Short question, why the change in
12 attitude towards trade?

13 MS. HILLS: That's -- a lot of people have
14 different ideas about it. I think there's a, today -- and
15 it's been building -- there's a general dissatisfaction with
16 Washington. So if you lost your job or your company,
17 revenues are going down and they're posting that there'll be
18 fewer overtime and that kind of thing, you wonder, gee, what
19 about trade? And I don't think businesses are explaining to
20 their workers the benefits that they get, and I think
21 there's a dissatisfaction with Washington in the sense that
22 a lot of our congressmen are gone. They're going to be out,
23 you know, for all of July, half of August. They come back
24 after -- or all of August and half of July -- and they come
25 back over the Labor Day holiday, and then they take most of

1 October off. From last I looked, they have about 55 days
2 until election in the House, and so the average person
3 thinks, what are they doing? Not much. And so whatever
4 they speak out on -- also, I think it's gotten to the
5 fringe.

6 You know, when I was at HUD and I would walk into
7 a room, we had, in the Ford administration, a very tough
8 economic environment, high inflation, double-digit
9 unemployment, the Vietnam War, the oil problem, where we had
10 skyrocketing oil prices, marching in the street, May Day
11 riots, and we'd just come off a president who was going to
12 be impeached. You'd go into a room, and there were reds and
13 there's blues, and someone would say, I'm going to lose my
14 job -- this was in construction -- and you had to try to
15 find a solution in the middle. Now Congress goes into a
16 room, and it's all blue or all red, and it drives them to
17 the extreme, and I don't know what fixes that.

18 It's -- the gerrymandering certainly hasn't
19 helped, but it's complicated. It's political, it's
20 economic, and those are -- yet you can't separate the two.
21 But, you know, how we can get the Tip O'Neills playing golf
22 with the Gerald Fords, the Lee Hamiltons carpooling the
23 Gerald Ford kids to school, having lunch together, barbeques
24 in the backyard -- they don't happen anymore. And I think
25 if you know somebody, even if they have a philosophy that's

1 different than yours but you respect them, that you can
2 exchange ideas and come out with a solution, because we all
3 want what's best for our nation.

4 So I didn't answer your question, but we got a lot
5 of work to do.

6 MS. GREGOIRE: Other questions?

7 MS. KAVIA: Yes. Majority of us around the table
8 here are small businesses. Is there a component in the TPP
9 that addresses small businesses?

10 MS. HILLS: Yes. Yes --

11 MS. KAVIA: Could you talk about that?

12 MS. HILLS: -- there's a whole chapter. You know,
13 one of the reasons that I think that people are uninformed
14 is there are 30 chapters and 6,000 pages when you count the
15 annexes, and I would almost bet the homestead that no single
16 congressman has read it from beginning to end. Probably the
17 staff has and has made recommendations.

18 But there's a chapter on small- and medium-sized
19 businesses that make trade much easier for exporters who are
20 small, and as I mentioned, a majority of our exporters are
21 small- and medium-sized businesses. And so if you can cut
22 the red tape and they can go on the Internet and get
23 information about your system, it makes it a lot easier and
24 they -- much more effective in international trade. We need
25 that chapter.

1 MS. GREGOIRE: So you, I assume, have watched the
2 dialogue, the rhetoric, if you will, associated with the
3 reauthorization of the Bank, the lapse that took place, the
4 consequences for the Bank, the consequences for particularly
5 small businesses who lost the ability to export or were
6 severely handicapped, now no quorum. What advice would you
7 give to this group as to what, if anything, we could do to
8 get Congress to understand they're, they're biting
9 themselves in the, in the foot?

10 MS. HILLS: I think you have to energize the
11 Boeings to talk to Congress that this doesn't make any
12 sense. It's not just the Boeings. It's the chamber of
13 commerce, the Business Roundtable. You know, it would be
14 great if businesses would put in the W-2 a notice that say:
15 Forty-seven percent of our revenues come from markets beyond
16 our borders. Forty-seven percent of your check comes from
17 market beyond your borders. We benefit from the EXIM Bank,
18 which support our exports. We benefit from trade agreements
19 that let us get into Vietnam and sell our machinery without
20 paying a 50 percent tax, and give them information.

21 If you're a small business with 10 employees, you
22 could put a notice, also, on the bulletin board. If you're
23 like Boeing and you have a kind of TV/Internet when you go
24 up and down in the elevators, you can put the message there,
25 and I think in the W-2 -- I mean, there are all kinds of

1 ways you can get information out, but if I walk out of this
2 building and stop the first 100 people I meet and say, what
3 do you think about TPP? First of all, they wouldn't know
4 what I was talking about. Well, what do you think about the
5 Trans-Pacific Partnership? Most of them wouldn't know what
6 I was talking about. What do you think about trade? Oh,
7 that's bad for me; it may be good for the nation, but it's
8 bad for me. Why? Well, I guess, maybe I would lose my job
9 -- I mean, no analysis, and so I think it's something that
10 we have to work at.

11 You know, democracy is based upon an educated
12 populace, and that, we don't have today. Someone said to me
13 I ought to write an article for The Wall Street Journal.
14 Well, I've done that before. I suspect the people wouldn't
15 be reading The Wall Street Journal. They might be watching
16 the television, and what we see on television is what gets
17 the news, and so the news is we're going to slap a 45
18 percent tax on everything that comes in from China or a 45
19 percent tax on everything that comes in from Mexico, our
20 second largest export destination.

21 You know, this is educating them in error, not in
22 fact, and I think we have to kind of join hands, whether
23 Republican, Democrat, Independent, whatever, and educate
24 Americans about what the facts are. I'm not making these
25 statistics up. These are the facts, but the best avenue of

1 reaching the ears of the workers, who are the majority of
2 the people, is through the people that they work with, you
3 know, the companies, and they could help distribute the
4 message, I think, or at least do a better job.

5 MR. STEPHENS: So question, so how do you
6 reconcile -- I'm in the banking business -- so how do you
7 reconcile some clients who their whole business model is
8 around really putting together products that are made
9 overseas with companies that would lose jobs by exporting
10 jobs overseas? There's really an inherent paradox in both
11 of those. So how do you, how do you reconcile that for the
12 population to understand?

13 MS. HILLS: Well, there's some economic data that
14 responds to that, and you raised something that a lot of
15 people are concerned about: offshoring. The fact is --
16 again, an economic study that I have read that demonstrates
17 that when a company creates a facility to tap into the
18 consumers overseas, yes, they hire and pay revenues
19 overseas, but their headquarters here at home grows -- not
20 the same jobs that they are producing product overseas, but
21 in terms of research and development, administration,
22 advertising, books, records, and so forth -- and that their
23 overall jobs in the United States expand. That is a report,
24 again, Dr. Hufbauer did for the Peterson Institute.

25 MR. STEPHENS: So that's a tough sell to unions,

1 though, isn't it?

2 MS. HILLS: Well, it's easier to say they shipped
3 your jobs overseas when they're manufactured there, but you
4 know, when I talk about Mexico being our second largest
5 export destination, people are worried that companies are
6 investing in Mexico -- and they are -- but .40 on every
7 dollar that we import from Mexico is U.S. content. Mexico
8 has 45 trade agreements, and if you -- and one of the
9 parties is the European Union with their 28 states; so they
10 get up to 60-something -- when they export a product made in
11 Mexico, .50 of every dollar of that product is of U.S.
12 content. And they are our best export promoter -- not only
13 they have more trade agreements, but they're using our
14 content, and when they make a dollar overseas or at home,
15 .50 is spent on U.S. goods. So it's a very, very virtuous
16 circle.

17 Plus the fact is we are more productive.
18 Productivity raises wages. We are more productive because
19 we're synchronized with our two neighbors. An auto goes
20 back and forth four or five times, whereas an auto from
21 Korea comes in once. We could do a better job with our
22 infrastructure, our physical infrastructure -- bridges,
23 roads, and so forth -- and also on data, because you have to
24 prove that each time it comes across, the rule of origin,
25 that it was made in North America. I think we could do --

1 we could streamline that and make ourselves more
2 competitive. But the fact is, when we say that we're buying
3 so much from Mexico, we're buying some of the stuff that we
4 make and we are made more efficient because of it, and that
5 is particularly true in machinery, in autos, and various
6 other things.

7 And, you know, even our trade with China, to get
8 off of North America, Mexico has 40 percent U.S. content in
9 its goods; China has four. So when we buy an Apple
10 computer, we take the whole price and say that was a product
11 that we bought from China, and it adds to the deficit,
12 bilateral deficit, but in fact, the majority of that -- say
13 it costs \$200 -- the majority of that price on that product
14 is U.S., similarly with Mexico. You know, if we bring it in
15 and we pay \$100, well, \$40 is U.S. content and all the folks
16 that made that content are very happy, but that, we say that
17 \$100 is an import.

18 MR. HERRNSTADT: Interesting.

19 MS. GREGOIRE: I'm wondering if you were going to
20 ask a question, Owen, and I want to introduce Owen to you,
21 if you don't already know him. He is a labor representative
22 here on our committee and works for the machinists and so
23 has been intimately involved in reauthorization because it
24 was a partnership, frankly, between labor and business to
25 try and get the Bank reauthorized in Congress. Owen.

1 MR. HERRNSTADT: Yeah, I have a very -- just a
2 little question, and I'm wondering if you could comment on
3 it. The recent report issued by the International Trade
4 Commission on the economic impact to the U.S. on the TPP
5 found that there would be maybe slight growth in, I believe,
6 a 15-year period, with growth of about 126,000 jobs in 15
7 years, which is, I think most economists would agree, is
8 certainly not dramatic.

9 MS. HILLS: Jobs, you say?

10 MR. HERRNSTADT: Jobs, yeah, is certainly not
11 dramatic, but they -- and the ITC's formula has been
12 criticized in the past for being -- for overestimating the
13 number of jobs that would be created from NAFTA and from the
14 U.S.-Korea Free Trade Agreement and others, but specifically
15 with respect to manufacturing, I believe I recall the report
16 saying that manufacturing would be hurt in the U.S. under
17 TPP in that amount of time and that specifically the auto
18 industry would be hurt in that amount of time, and I'm just
19 wondering if you're aware of those or if you could comment
20 on that.

21 MS. HILLS: I am aware, and first of all, trade
22 doesn't create jobs. It creates better jobs as a general
23 proposition. It creates -- and they pay 18 percent more, on
24 average, than the jobs that are lost as a result of trade.

25 With respect to the autos, the -- I don't think

1 the industry should overlook the benefits. The ITC report
2 is -- uses small numbers, but the benefits go beyond what
3 they've calculated, the economic benefits, because as we
4 grow this trade agreement and we bring in Korea, Indonesia,
5 Thailand and, I hope, China, that we will have an even
6 larger opportunity and that our leadership in moving trade
7 forward -- because you know very well that autos has
8 benefited from having markets beyond our borders. You
9 couldn't make it. If we were to put a tax -- close down and
10 you would only sell to Americans, your members would not be
11 -- it wouldn't be sufficient. Isn't that accurate?

12 MR. HERRNSTADT: Well, I -- yeah. I mean, I think
13 -- and this is probably a longer debate -- I think the goal
14 here is to get a trade agreement that meets the gold
15 standard, that's going to raise everybody's standards of
16 living. And I think some of us think that this doesn't make
17 it and others think that, that it does, and that's, that's
18 America, and Congress will make its own decision.

19 But I think for many of us, to say that we're
20 opposed to trade is, well, not, not helping the, helping
21 this discussion go forward where I think all of us would be.
22 You know, it's clear my members make more export goods that
23 benefit from trade than maybe many other unions, but at the
24 same time, that didn't stop thousands of high-skilled Boeing
25 machinists protesting the WTO because they didn't see it as

1 being, you know, a fair playing field.

2 So the real question is, is how do we bring
3 everybody to the table and construct a trade agreement that
4 will actually address many of these concerns in the most
5 objective way as possible on it, and I think that's probably
6 where the, you know, the big discussion is at this point.

7 MS. HILLS: Right. You know, they complained at
8 the time that the NAFTA was not a gold standard. Wow, it's
9 produced a lot of gold, and we started with small steps. We
10 started with an agreement with Canada, almost brought the
11 Canadian government down, but neither of -- none of the
12 three governments economically would be where they are today
13 without the partnership that we have in North America. And
14 your autos do very well as a result of the NAFTA, but it's
15 become a bad five-letter word without a question, and
16 nobody's speaking up.

17 You know, gold standards come step by step, and if
18 we can get this TPP through, it's going to bring China
19 around to the table. And think of what you could do if you
20 could bring down the restrictions. Even if we got a
21 bilateral investment treaty with China so we knew what the
22 rules were, it would make a whale of a big difference. But
23 Indonesia is a huge country, a huge country that would
24 respond to what you sell, and you add Thailand -- and they
25 want to join -- Thailand, Indonesia. Korea wants to upgrade

1 the trade agreement we have -- be a benefit for us.

2 Also, you have to look at what do we lose if we
3 don't, and I think that we would really be left out. I
4 think the political rhetoric is hurting us internationally
5 hugely, but if we also have actions that show lack of
6 resolve and leadership, false promises, worthlessness, I
7 think that we're in a deep, deep water.

8 And some of the things that we've done I
9 disapprove of. You know, I don't think that we should have
10 said on -- and maybe this will cause a rile-up here -- we
11 don't want -- we want to make the rules, not the Chinese. I
12 would have said we want rules that'll generate peace and
13 prosperity for all of our nations.

14 I wouldn't have said I'm not going to join -- I
15 won't join the infrastructure bank that the Chinese
16 proposed, to build infrastructure in Southeast Asia. I'd
17 say, God, we need more resources; if they want to build up
18 and raise the poverty to create customers for me in the
19 future, great. I mean, why would you run against moving up
20 the economic level of countries where eight percent of the
21 -- only eight percent of the people have electricity? This
22 doesn't make sense.

23 And we don't have enough money in the World Bank
24 and the IMF to be able to do all that needs to be done, to
25 do as we did with the Marshall Plan. It costs too much. So

1 we need partners, and I think that the International
2 Association of Machinists could -- and aerospace -- could
3 make a big difference. There are other data. I mean, don't
4 expect a pile of gold on day one. In fact, most agreements
5 -- the NAFTA we gave Mexico, a majority of our tariffs went
6 down to zero immediately; a bunch of them went down over
7 five years; a few of them were reduced over 10; and corn,
8 over 15. That's the way it is, but we're better off today.

9 If you make somebody swallow too much, they're not
10 going to get it down, and the countries -- the difference in
11 countries that will occur, like Vietnam, wow. Their tariffs
12 are extraordinarily high, and talk about state-owned
13 enterprises, what an example. We set that rule and we've
14 got state-owned enterprises throughout Asia and, if they
15 have to abide by specified commercial requirements, that's
16 going to help machinists and aerospace workers.

17 MS. GREGOIRE: If I could, we have one last
18 question.

19 MS. HILLS: Sure.

20 MS. GREGOIRE: Caroline, who is, by the way, from
21 the Peterson Institute.

22 MS. FREUND: Thank you very much for your
23 persuasive and clear remarks. I was wondering what your
24 assessment is of how much damage a president who was
25 anti-trade could do via reversing trade agreements or

1 raising tariffs on his own, whether that's actually feasible
2 or whether built-in constraints would stop him, because I've
3 heard different, different things.

4 MS. HILLS: That's a good question, and we have
5 some history. You know, President Clinton, Bill Clinton,
6 ran against the NAFTA, not as harshly, by any means, as the
7 major candidates are running against trade and TPP, but he
8 said, I don't like the agreement and I'm not going to offer
9 it to my Congress unless I can fix it. And he took the
10 agreement and got a side letter, two side letters, on
11 environmental and labor issues -- not enforceable, but a
12 wish list -- and said I fixed it, and then he fought like
13 the dickens. You couldn't have asked a man to do more.

14 He brought in Bill Frenzel, who had been the
15 Republican that headed Ways and Means. Even I was invited
16 over to the East Room to talk to a bunch of Republicans and
17 Democrats about what the benefits were, and in October he
18 got it through the Congress by a handful of votes. But he
19 gets a lot of applause for his putting his shoulder to a
20 wheel that he did not build but he supported.

21 Now, today I could see one of our candidates
22 saying -- it would be very difficult to do a U-turn, and so
23 you've got tension here between -- President Obama ran
24 against trade in 2008, harshly against trade -- two
25 respected senators ran, Senator Obama and Senator Clinton --

1 and for the first four years, he did not move out on trade,
2 nothing, and in the second four years, he's trying to get a
3 legacy and get it done. Secretary Clinton has been more
4 harsh on trade than her husband was on the NAFTA, and I
5 think it's going to be harder for her to do a U-turn because
6 of the trustworthiness issue.

7 If the trade agreement doesn't go through, it's
8 going to be harder to pick it back up. I mean, maybe you
9 could let it sit out there and then make some changes, and I
10 think that's what she's hoping for. What I'm hoping for is
11 that all the population gets it teed up and November 10th it
12 is offered to the Congress, on January 10th or 15th it is
13 passed by the Congress, and then she can honestly say, I
14 didn't do it but I'll make it work; so it would be passed in
15 the lame-duck session. And, you know, dreams are what make
16 reality come around. So that's my dream.

17 MS. GREGOIRE: So I thought you had a very telling
18 answer to my question about educating employees, and during
19 the reauthorization of the Bank, we tried to educate the
20 supply chain for Boeing. The biggest issue I think we face,
21 however, is Congress -- which one would assume, for
22 argument's sake anyway, they are educated, but look what we
23 ran up against -- and I, I don't know what more, frankly,
24 could have been done, but do you have any advice for us on
25 that?

1 MS. HILLS: Well, I recall during the NAFTA, when
2 it was in deep water, saying to companies, first of all,
3 you've got to educate the people. If I honestly believe, as
4 this gentleman believes, that the trade agreement is not
5 good for his constituency, he's not going to vote for it,
6 but if I believe that it is good and that not getting it is
7 very, very bad, then you educate your employees in, you know
8 -- from, as I say, from putting messages in the W-2 to
9 having small conferences in the cafeteria to putting things
10 on the Internet and trying to educate them and then telling
11 them, you know, there's a box of postcards in the basement
12 and they're addressed to your, all your congressmen and, if
13 you believe in what I'm telling you, fill one out and send
14 it, because congressmen weigh their mail, they don't read
15 it. And that happened in the NAFTA. A bunch of companies
16 -- I won't name them -- did exactly that. They re-educated
17 their population, and they -- the postcards went like crazy,
18 and it caused kind of a shift.

19 Now, we're a little bit more at the fringe now.
20 We're a little bit more extremely red or extremely blue than
21 we were 20 years ago, but I think it would make a
22 difference, and as I say, you can't have a functioning
23 democracy unless the voters are educated. They've got to
24 know what are the pluses and what are the minuses.

25 MS. GREGOIRE: Well, on behalf of all of us, thank

1 you. Thank you for your candor and your insights and
2 your --

3 MS. HILLS: Well, it's a pleasure to be with you.
4 I wish you well on all you do. Keep it up, and do what you
5 can for your country in terms of opening markets beyond our
6 shores. Thank you.

7 MS. GREGOIRE: And thank you. And PS, thank you
8 for your public service, not often said, so thank you.

9 MS. HILLS: And thank you for yours.

10 MS. GREGOIRE: Oh, it's mutual. Thank you. Okay.
11 Let -- or is Jim here? Oh, Jim and -- do you want to be
12 available? Are there any other questions of Jim or Isabel,
13 whom I don't see, about the report?

14 MR. STEPHENS: I would just make a --

15 MS. GREGOIRE: Yes.

16 MR. STEPHENS: -- a comment that on the, you know,
17 the executive summary, that all the comments made were valid
18 comments that Jim highlighted, but to me I would just feel
19 like part of that summary should include, okay, here's the
20 things we can do now in spite of the environment, in spite
21 of Congress and, you know, within our control.

22 And, you know, the commitment to small business,
23 trying to have better public engagement and education of
24 what we can do for small business, that's not really in the
25 summary. I think that has been really, I think, a common

1 goal to increase that --

2 MS. GREGOIRE: Yes.

3 MR. STEPHENS: -- certainly in the last couple
4 years. For that to be --

5 MS. GREGOIRE: Yes.

6 MR. STEPHENS: -- absent from the executive
7 summary, it just, you know -- a little bit more positive and
8 less woe be me --

9 MS. GREGOIRE: Yes.

10 MR. STEPHENS: -- on the executive summary. So --

11 MS. GREGOIRE: How about any other thoughts with
12 respect to the letter, and then we'll go through the timing
13 and our ask of you. Any other comments on that, you-all?
14 Do you have any follow-up on that, Caroline, from your
15 discussions, with environmental concerns or --

16 MS. FREUND: Yeah. Well, in terms of the
17 environmental, we had discussed at lunch -- and it's
18 actually very similar to what we had thought of putting in
19 -- about more clarity in the next report in terms of why
20 we're not keeping up with the Europeans, whether it has to
21 do with intra-European trade, why U.S. isn't exporting but
22 is doing well amongst itself, so sort of some clarity on
23 that.

24 I just wanted to follow up with the point that,
25 that Steve just made, because one of the recommendations we

1 were considering putting in -- and I think I'm hearing it
2 from you -- that could be a recommendation is in terms of
3 education, that finding better ways to put out the messages
4 from the report, whether it be in kind of a shorter form and
5 the information that comes from the report to the public,
6 and -- or other stakeholders -- is that kind of what you're
7 getting at, that we need a better way to educate about EXIM
8 Bank?

9 MR. STEPHENS: Well, I think -- I made a comment
10 to the group at lunch, you know, the, you know, the
11 landscape with other ECAs, that's going to be an ongoing
12 battle for some time, different opinions about it. You
13 know, the, the view of really what the role of EXIM Bank
14 should be by Congress is going to be an ongoing battle, but
15 everybody agrees that we should do what we can to really
16 help small business, to grow small business. That's -- I
17 think that's a common agreement by any and everybody. Who
18 can deny that?

19 So to kind of keep that commitment and acknowledge
20 that we really, EXIM Bank has not done as good of a job to
21 really educate and plug into the small-business community
22 and to keep doing a better job of that and you can do that
23 irrespective of what happens with other ECAs and all the
24 other kind of fundamental challenges, which are real. I
25 mean, I don't want to discount them, but to me there's two

1 or three courses that we take in kind of -- as we go
2 forward.

3 MS. GREGOIRE: Okay.

4 MR. THWAITES: And that might actually help -- I
5 mean, if you look at the report, it's hard not to have a
6 deep concern about trade -- that's a suggestion from Steve,
7 though, that may keep the letter from being a whiny tone
8 after all of the dissent over reauthorization. Is there a
9 way we can really get people to read it instead of getting
10 something that says, oh, these are the guys from EXIM who
11 are whining again? Is there a way to put something in there
12 that maybe uses everything that's happened to take a next
13 step in understanding? That may be a lot to ask in a
14 two-page letter, but the tone -- we can have a balanced
15 approach in the tone of the letter to get people to get to
16 the content of the report, just a thought.

17 MS. FELTON: The governor just asked a question
18 related to how to get the message out about the supply
19 chain, and small business, we provide a lot of direct
20 support for small business, but we also, importantly, help a
21 number of companies that, you know, would not get the direct
22 sale. They would not but for the fact that a larger company
23 made a sale.

24 And so there's this sort of, you know, it's a
25 bring-along kind of a thing that isn't often -- we don't

1 necessarily capture the numbers very well because we don't
2 always know who the beneficiaries are of that, but it's an
3 important point about the additional impact that we have on
4 small business and, you know, the sort of eco system that we
5 create or support, maybe not create, but support, and I
6 think that's a positive that can be brought out.

7 MS. GREGOIRE: Yes. Yes.

8 MS. FREUND: Do you have an example, a specific
9 example you could give us, because I think that's exactly
10 the kind of thing we're looking for, but just saying it
11 doesn't have the punch that an actual example does, of this
12 company, you know, rode along on this field?

13 MS. FELTON: You know, I suspect we do, and the
14 one that I -- the obvious one is the one we probably don't
15 want to use, which is the Boeing example, because they do a
16 really good --

17 MS. GREGOIRE: We can use it without articulating
18 the name.

19 MS. FELTON: Yes, but they do a really good job of
20 capturing the support, but I'd probably have to defer to
21 somebody else on how we, how we illustrate.

22 MR. STEPHENS: So one example would be you could
23 go to Boeing or anybody and say, okay, part of your future
24 support from EXIM Bank will include you identifying, with
25 our help, small businesses that really benefit from this

1 financing and that you've got to really -- we've got to work
2 together to identify who those are and provide direct
3 financing as part of the overall financing to that really
4 supply chain community.

5 For example, the SBA -- when you do a 504
6 financing for the SBA for a company, part of the requirement
7 is, is that the beneficiary of those proceeds needs to prove
8 that you're creating jobs, identify the jobs as part of
9 getting that benefit. You could do something similar to
10 that with the Boeings and others. Now, that's not -- I
11 don't know how to put that in a summary report, but that's
12 part of how you change the game a little bit to show it
13 really is a cascading benefit, to your point, Wanda.

14 MR. WHITE: To follow up on what Sydney had to
15 say, I think that's -- it leads me to say, if the cover
16 letter were to be, call it 80 percent of a press release
17 that you wished you could have written earlier, that this
18 is, this is what the agency is able to do, create the jobs,
19 this is how it's been hampered, this is what it's facing. I
20 think it can be much more fact-based and you can control the
21 dialogue of what we want the report to represent, which is
22 an agency that's doing some very good work, can do better
23 work, and is faced with these challenges coming up. And I
24 think keeping it more or less to the facts will keep it from
25 being an, oh, we didn't have our authorization and we're,

1 we're -- poor us. I think that is sort of a mindset going
2 toward the letter.

3 MS. GREGOIRE: Here's one, because I've been going
4 back and forth back home. We have about 80,000 Boeing
5 machinist employees, right?

6 MR. NELSON: Yeah, absolutely.

7 MS. GREGOIRE: Okay. And so the total of Boeing
8 machinist employees, about 80,000, and the suppliers to them
9 led, in 2015, to a total of 134,527 Washingtonians in a job,
10 and I think that's pretty telling. We're only counting 80
11 when it's actually almost 135,000, but I've got more stuff
12 coming for you, but I think that says it better than just
13 saying the words, your point.

14 So want to go through the process moving forward?

15 MS. FREUND: So we're going to, between Owen,
16 Governor Gregoire, and myself, we're going to go back and
17 forth a bit and get a draft together which we'll then circle
18 to the rest of you for comments by -- Friday?

19 MS. GREGOIRE: What's our deadline, Jim? Are --

20 MS. FREUND: Wednesday next week --

21 MS. GREGOIRE: -- you out there, Jim?

22 MS. FREUND: -- I believe.

23 MS. GREGOIRE: Oh, there's -- great.

24 MS. GALDIZ: Hi, sorry. The deadline for the
25 press, what we've received from the Communications team, is

1 next Wednesday, so a week from today, and however you want
2 to organize yourselves, we're here to help you. Joe is
3 happy to help and as am I. So just let us know what we can
4 do.

5 MS. FREUND: And so then we'll circulate it
6 Friday, with comments from you guys, I guess, by Monday at
7 some time, either close of business or something like that,
8 go through it and then send it back to EXIM.

9 MS. GREGOIRE: So what we need you to agree to is,
10 we'll take a shot at a draft, get it to you by Friday, you
11 get your comments by close of business on Monday, and then
12 you will let the committee make any final touches that go
13 in, because there's not enough time to circulate. This --
14 and I didn't just make this up -- this is the process we
15 went through last year. Does that sound okay to you-all?

16 UNIDENTIFIED SPEAKERS: Yes.

17 MS. GREGOIRE: Okay. Are you good with that,
18 Owen?

19 MR. HERRNSTADT: Yeah.

20 MS. GREGOIRE: Good. Okay.

21 MR. HOCHBERG: Bless you.

22 MS. GREGOIRE: Oh, I'm thinking --

23 MR. HOCHBERG: Bless you for that --

24 UNIDENTIFIED SPEAKER: I'm good.

25 MS. GREGOIRE: Oh, Lord. Okay. Jim Burrows, yay,

1 hello.

2 MR. HOCHBERG: I just want to make one comment
3 while Jim comes up. I mention this: One thing that I
4 thought that Jim Cruse mentioned at the outset, how more and
5 more countries are relying on exports -- and this comes
6 through in the report -- you know, it's a parallel -- I met
7 recently with the new head of the Dallas Fed a week ago, and
8 we had the same conversation, and sometimes when I've
9 traveled overseas, I've met with central bankers, and I say
10 that increasingly we're seeing that legislatures -- and not
11 just in our Congress -- don't really want to pass laws,
12 don't really want to enact reforms, don't really want to
13 change tax codes. Probably elections are harder and harder.

14 So I think globally you're seeing just less action
15 on the part of legislatures, legislations, parliaments,
16 Congress, and so forth, globally and more being pushed on
17 central banks, which obviously can't -- can only do so much,
18 and I think you're seeing that more being pushed on exports
19 as a way of, okay, we don't have a fiscal way of increasing
20 our economy, we're going to look at central banks, we're
21 going to look at exports. So I think that partly also
22 explains why we're seeing over the last several years just
23 more and more emphasis.

24 And picking up on where Jim is going to pick up,
25 you know, when I seven years ago went to some of the early

1 meetings, no one -- we were the only people that talked
2 about small business, and maybe Canada, and now, I would
3 say, around -- you know, export credit agencies are focused
4 on small business in a dramatically different way than five,
5 six, seven years ago.

6 And Gabriel and I were talking. There's a new
7 customer in Guatemala, right? And I would say that, you
8 know, we've seen in our export credit insurance -- you know,
9 five, six, seven years ago, a lot of American companies
10 would export and they may get -- you know, wire me the money
11 in advance and then I'll ship the goods, and the fact is,
12 with more small businesses exporting, that is simply a model
13 that doesn't work. You know, they say, well, if you're not
14 going to give me credit, the supply in Germany will give me
15 credit or Japan will give me credit or Korea will give me
16 credit.

17 So these are a lot of these changes, and they're
18 really in less than five, six years, and so I just thought
19 -- that was just some of the things I heard about, but let
20 me not take any more of Jim's time.

21 MS. GREGOIRE: Well, I will add that we did speak
22 over lunch about trying to capture the eloquence of what Jim
23 said as a context for our letter, which is not a whining
24 thing; it's a here's the context within which we're doing
25 business. Yes. Yes. Jim.

1 MR. BURROWS: Hi, I'm Jim Burrows. I'm the senior
2 vice president of the small-business group. To my right is
3 Dan Ford. He's a presidential management fellow assigned to
4 the small-business group, has been with us just for a little
5 over two, almost two years, and he's going to assist me with
6 the presentation.

7 So for the first slide, no surprise -- when we
8 were reauthorized, our mandate, congressional mandate for
9 small-business authorizations, went from 20 to 25 percent.
10 I'm happy to report, as of the close of the books on April
11 30th, we were at 54.3 percent of the authorizations. Now,
12 it's a numerator-denominator, and it's working in our favor
13 without a Board at this point, but we'll be happy when the
14 Board comes back up, because we know with all the large
15 deals, there's small businesses that benefit.

16 If we look at it compared to last year, just 54.3
17 this year, April 30th, to last year, we were at 22.5. So we
18 are tracking ahead of schedule. The good news is we're up
19 in trade credit insurance and our working capital. So there
20 is a need out there for small businesses, and we're trying
21 to get in front of it.

22 So I'm going to go over a couple different areas.
23 We're going to go over the digital lead generation, and Dan
24 is going to take that. I'm going to talk a little bit about
25 hiring in the Small Business Division. I'm going to talk

1 about leveraging the small-business committee; that is one
2 of the things that's in our charter, and then I'm going to
3 talk about some of the things we're doing with the, our
4 internal contact center; that's when clients call into the
5 Bank or e-mail into the Bank, and coming soon will be live
6 chat, and then I'll talk just briefly about the client
7 experience.

8 So the next slide is scaling for the digital lead
9 generation. About, about 18 months ago, almost, maybe
10 almost two years ago, we went to the senior management of
11 EXIM and talked about employing a digital strategy to help
12 get to small businesses. I kind of look at it as an air
13 cover and land cover. We had boots on the streets with our
14 12 regional offices of roughly 20-something people out there
15 that were meeting with exporters and our multipliers, which
16 we include as delegated authority lenders and insurance
17 brokers, city/state partners, which are now called Regional
18 Export Promotion Programs coordinators, but we didn't have a
19 great way of getting to clients that weren't in our lane.
20 So if they didn't attend one of our roundtables, they didn't
21 walk into one of our insurance brokers, they didn't -- we
22 weren't attending events or a trade show event or they
23 weren't attending the Global Access Forum, how do we get to
24 those small businesses?

25 So we decided to go after -- we started to deploy

1 a digital strategy concept. So we brought two new systems
2 in, which were -- which are called CRMs, customer
3 relationship management systems. The first is Salesforce.
4 That is kind of our, how we manage the client data. On top
5 of that is HubSpot. That's the marketing automation piece.
6 That allows us to go out and market digitally to clients
7 that feed ultimately through Salesforce which ultimately
8 feed out to our frontline salespeople for appointments that
9 will hopefully cultivate a lead into an authorization.

10 The second part of that is putting together
11 digital collateral pieces, whether it's e-books or white
12 papers or webinars. Those -- and videos -- those are the
13 things that we've been developing over the last year, year
14 and a half, also, in order to be what we call click bait.
15 So when we put those out there and there's interest, a
16 client comes in, they hit one of our landing pages, we ask
17 them for a little bit of information -- their e-mail
18 address, maybe their name, their contact information -- and
19 then we release a piece of collateral, whether it's on trade
20 credit insurance or working capital.

21 So we've been doing that for about a year, year
22 and a half. We were lucky when -- we brought it up in
23 January of 2015, and then six months into it we had, as we
24 all know, we had to come down because we had our lapse in
25 authority. So we had to pull all of that down, but then we

1 were reauthorized on December 4th. We were brought back up.
2 Our digital agency was one of those contracts. It was a
3 five-year contract. Unfortunately, the renewal period came
4 up during the lapse. We could not touch it because it was
5 forward-leaning, so it lapsed. We're happy to report we
6 signed a contract to be back up in business in February, a
7 little bit of infrastructure rebuilding in March, and then
8 April we were fully back up.

9 So we're going to show you a little bit of results
10 in what we're doing. I'm going to turn it over to Dan, and
11 then I'm going to talk about the other four topics after
12 that.

13 MR. FORD: Great. So excited to talk to you guys
14 a little bit about what we're doing, some of our early-stage
15 results. So piggybacking on what Jim was talking about,
16 we're very excited to have a whole new round of content in
17 the way of e-book, case studies, white pipes, videos, things
18 that we think are instructive, informative, educational, and
19 of interest to potential end users.

20 We've leveraged a lot in the way of the expertise
21 and insights of our customers. So we're excited for your
22 feedback. Even some of the ad networks that we're on are a
23 result of hearing from the decision makers within our own
24 network where they're getting their information.

25 We're entering a new stage of sophistication.

1 We're excited to be coming out of this sort of embryonic
2 small experimental stage. We've got a better idea of what
3 works. We can get rid of the things that didn't and scale
4 that which did. One of those aspects is creating a much
5 more personal interaction with potential end users. As
6 opposed to sort of somebody coming into our system and
7 receiving one message, we're coming up with six different
8 work flows that are tailoring messaging to the pain points,
9 to the interest, to the situation of the person we're
10 interacting with. Based on the information that they give
11 us, we're able to bucket them and create content that is
12 hopefully more empathetic to their export situation and
13 relevant to solving their problems.

14 Earlier this morning, when we had a little more
15 time, we previewed a video. I'm happy to share, excited to
16 share some of the new content we've created after the fact,
17 but I want to take you quickly through some of our basic
18 numbers.

19 So this is from a very high level. What are we
20 bringing into the system in terms of digital leads in a
21 given month? What that means is -- you've all seen it
22 before online, I'm sure -- there's a white paper, something
23 you're interested in; there's a very short form that you
24 need to fill out in exchange for that information. When
25 people fill out that form, they come into our system. We

1 have enough information to bucket them, and then we engage
2 them and nurture them through our work flows. So this
3 high-level number is just, in a given month, how many people
4 came into our system, how many people downloaded something,
5 how many people submitted a form and became what we call a
6 digital lead?

7 We're just wrapping up May and very excited, as
8 Jim talked about, to be back into this acceleration stage to
9 a, I think it's 155, 160 percent month-on-month increase and
10 55 or 60 percent higher than our previous monthly high,
11 which was June, right before the lapse. So we're back on
12 track, and what's really exciting is not only are we
13 bringing more leads into the system, but we got a little
14 more sophisticated in terms of engaging them. So for any
15 100 leads, more of those are becoming opportunities and, in
16 turn, authorizations, and we're entering a phase with a
17 little more steadiness in terms of results once they come
18 into the system.

19 We wanted to give you, just by way of example, to
20 take this from something conceptual to something real, some
21 highlights of some of the channels that we're on and things
22 that we're doing. So Penton Media is one of our early
23 success stories and something we're very excited about.
24 They have a portfolio of publications. You're probably most
25 familiar with IndustryWeek. They have other niche

1 publications such as New Equipment Digest, American
2 Machinist, and so on, that are targeting people that we
3 think are very well suited to EXIM support. We're on their
4 network. If you search EXIM IndustryWeek, you'll find all
5 sorts of materials, case studies, white papers, videos, and
6 so on.

7 What we're really excited about was this past
8 month we did our first webinar, something we were gearing up
9 to do before the lapse and had to, had to push off, and we
10 had more than 600 people register for the event, which was
11 hosted by John Brislin, who's our regional director in our
12 Seattle office. Of those 600 registrants, more than 300
13 came online and actually viewed it, with an average view
14 time of about 52 minutes, which in webinar terms these are
15 great numbers, great engagement numbers, and of that group,
16 23 people that day raised their hand and asked to talk to
17 somebody. So they were routed directly into our Salesforce
18 CRM, distributed to the rep, and that rep has the
19 responsibility to follow up quickly, and we --

20 MR. BURROWS: So the reps are the regional field
21 offices, the business development people in our 12 offices
22 throughout the United States.

23 MR. FORD: And out of those 23 consultation
24 requests, I know of at least a few opportunities offhand
25 that are at about a few million dollars right now. And the

1 great news is, even those people who didn't raise their
2 hand, even those people who didn't show up, we're going to
3 continue to market to them because we've seen some evidence
4 of interest.

5 Another channel we'd like to highlight very
6 quickly is LinkedIn, which gives us a layer of
7 sophistication in terms of targeting that we're very excited
8 about, whether by geo-targeting, whether by industry or job
9 title. This is one of those things where we've seen mixed
10 results. Some things have worked great; some, not so well.
11 So we're finally in that period where we have enough data
12 that we can say, what are these data telling us and how can
13 we move forward from here?

14 You see an example on the screen of an InMail.
15 This is, you have a mailbox in your LinkedIn account, just
16 like an e-mail inbox; you can send a personal targeted
17 message. The truth is this didn't work very well for us.
18 What's been fantastic is this sponsored content where you're
19 scrolling through your news feed and as if somebody else
20 posted something, you see this sponsored result: Here's a
21 free e-book from EXIM, How You Can Expand Your Borrowing
22 Base If You're an Exporter, or what have you. People are
23 clicking on that and converting at a very high rate. So
24 we've seen great results with that, and we're moving towards
25 that and optimizing and devoting more resources towards the

1 things which are effective.

2 Finally, I want to show you what we've been doing
3 in terms of search. Search has been a very powerful tool
4 for us. The people who are coming on search, they're very
5 engaged; they're already on that information journey. We
6 want to make sure that we're in front of the right people at
7 the right time when they're seeking the type of support that
8 we can provide.

9 So AdWords you'll see on Google when you search
10 something, those sort of primary results that are featured
11 at the top that are tied into the things that you're
12 searching for. We've seen great results from that as well.
13 Nearly a thousand leads thus far, and I would say this is
14 something that's still in its nascent stages that we're
15 still optimizing -- so a lot of reason to be very pleased
16 with what we've seen thus far.

17 We're scrapping some things that were less
18 effective. We're scaling those which have worked, but we
19 always want to keep an eye on the future and make sure that
20 we have some small experiments going on new channels and we
21 find another handful of winners that we can add into our
22 regular portfolio.

23 Just to highlight a couple very quickly, ThomasNet
24 -- a lot of you may remember the old big green books, the
25 Thomas Registry -- in 2005 they went digital, like we're

1 doing now. They have a supplier-sourcing platform that has
2 more than 600,000 users engaged in a given month, more than
3 2 million viewers on their website in a given month, and
4 they've never monetized this robust, very valuable set of
5 contacts. We have crossed paths with them at an event, and
6 we're in discussions to create some small experiments to see
7 if this couldn't be a valuable source of lead generation.

8 Plastics News -- again, we're looking at
9 industries that we've seen lend themselves well to EXIM
10 support, and we want to get in front of some of those niche
11 audiences with a powerful message; also, City Business
12 Journals, trying to get in front of small-business decision
13 makers, which gives us a little bit of a geo-targeting
14 ability and an ability to speak to the industry that's
15 relevant in that area, and then a couple of other pieces.

16 Advantage Business Media had some other
17 industries, specific publications, and the Journal of
18 Commerce will get us in front of that transportation and
19 logistics community, freight forwarders, and so on, which
20 was mentioned earlier today. It's such a valuable source of
21 knowledge for many exporters and an important audience to be
22 in front of. With that, I'll turn it back to Jim.

23 MR. BURROWS: So quickly I'll go over, because I
24 know we're pressed for time, business development and hiring
25 for the small-business group. In front of you is a chart on

1 what our staffing levels look like currently in Small
2 Business. Today, to be fully staffed, we would need to be
3 at 54. We're at 45 today. We are hiring, looking to hire
4 four regional office business development people. We are --
5 on the outreach front, we have minority- and women-owned
6 business, our rep program, and the broker relations. We're
7 fully staffed with the exception of our director of Broker
8 Relations. We're currently working with our HR Human
9 Capital Department to get that position -- it's posted --
10 and get those interviews underway.

11 In our contact center, which I'll talk about in a
12 moment, we currently have three full-time staff members
13 answering those phones and responding to e-mails. We'll be
14 bringing that to six by the end of the summer, midsummer,
15 the end of summer, and then here at headquarters, support
16 people, like myself and like Dan, we have -- we should be
17 fully staffed at eight. We have one opening there. So over
18 the next -- over the summer months, we -- by the end of the
19 summer, we should be fully staffed up there.

20 From an outreach perspective, our partners are our
21 best resources, whether it's our lenders or our insurance
22 brokers or our minority- and women-owned business group or
23 our former city/state partners, which are now Regional
24 Export Promotion Program. We're doing account planning
25 there. We're assigning what we call business development

1 people here at headquarters to these organizations so we can
2 get in front of that organization to increase participation.

3 We do monthly and quarterly webinars with our
4 outreach partners. We want to be able to get in front of
5 their member base when there's abilities to do sponsored
6 workshops, speaking engagements at their events or their
7 conferences. All of these will hopefully boost lead
8 referrals over time which will end up hitting our
9 authorization numbers to getting us to 25 percent or
10 exceeding that.

11 One of the things in our current charter is, talks
12 about the small-business committee, and the small-business
13 committee is a group of senior managers from around EXIM
14 that work on small business behalf -- on their behalf.
15 Small business really needs to be everybody's business at
16 EXIM.

17 So we want to make sure that this group works on
18 behalf while making sure our products are competitive and
19 that we're getting in front of doing product tweaks where we
20 need to do them or coming up with new products that may be a
21 hole in the market.

22 We want to make sure that we're identifying the
23 right export opportunities and the right lists to get them
24 into the lead-nurturing buckets, and then we want to make
25 sure our transaction processing times are where they need to

1 be, and if there's areas that we can improve, we want to get
2 in front of that.

3 This group of senior vice presidents meet on a
4 monthly basis. Also part of the charter, it mandates that
5 EXIM has a small-business specialist at each one of our
6 business units. So what we have done is we've married the
7 small-business committee -- the senior vice presidents --
8 with their small-business specialists.

9 And our chairman about a month ago sent out a call
10 for proposals to everyone at EXIM, saying, what are
11 proposals that should be put in front of the small-business
12 committee that we should be thinking about, whether it's
13 product, whether it's export opportunities or process
14 improvements; give us your ideas. Those ideas go in front
15 of the senior VPs. We discuss those proposals. We have --
16 we've decided that we will have three proposals open, being
17 actively worked on at a given time. The small-business
18 specialists will be pulled together in task force to work on
19 those proposals and ultimately come up with solutions to the
20 problem that will be executed and implemented here at EXIM.

21 The next slide is the contact center. We've had a
22 contact center. In the old days, it was a person of one.
23 About two years ago the chairman charged us with finding an
24 alternative to a one-man shop where we not only would answer
25 the phone but we would do e-mails and we would also bring up

1 live chat. We looked at the options. We decided at that
2 point we outsource the contact center to the GSA government
3 contracting group and they answer the calls for us. During
4 the lapse, that was a prohibited function. We brought it
5 back here to, to headquarters, and we were answering the
6 phones.

7 We decided during that lapse that we, it was
8 probably important to bring that function in-house for a
9 whole host of reasons -- one, that we found that the calls
10 are more unique in nature and require a little bit extra
11 touch or handling that we couldn't get from an outsourced
12 vendor. So we are staffing up.

13 We're working with our IT folks to bring on the
14 infrastructure -- the software programs so we're able to
15 track and report and monitor calls. If a client calls in
16 and we have a high queue, it will allow them the ability to
17 opt out, and we will call them back at the next available
18 time. It will also allow us to bring back up live chat,
19 where we can chat with clients that want to interact with us
20 in that manner. That should be brought up -- we were
21 targeting June 30th. That may move a week or two, but we
22 have a meeting on that tomorrow.

23 And then lastly, on client experience, it's always
24 important to be -- have our finger on the pulse, whether
25 it's a multiplier network or our exporters and constantly

1 going out and serving those clients to hear what's working
2 well, what we can improve on, and what's not working well so
3 we can act on those findings and drive results, because
4 everything needs to hit -- we need to hit that 25 percent,
5 if not exceed it in not only this year but the years to
6 come. So with that, I'll open it up to questions.

7 MS. GREGOIRE: Great presentation.

8 MR. BURROWS: Thank you.

9 MS. GREGOIRE: Yes. Interesting, fun, exciting
10 stuff you're doing.

11 MR. BURROWS: Thank you.

12 MS. GREGOIRE: Yes. Thank you. Questions,
13 you-all? Please.

14 MR. NELSON: Oh, I have one question. On the 25
15 percent mandate, is that volume or deals?

16 MR. BURROWS: It's dollars, authorizations.

17 MR. NELSON: Dollars? Okay. Thank you.

18 MR. BURROWS: I wish it was transactions, because
19 at that point we would be about 90 percent, probably 98
20 percent today.

21 MR. STEPHENS: Jim, in our public engagement
22 discussion we had earlier, a few ideas kind of had surfaced.
23 One is, Sydney, you mentioned about industry associations of
24 exporters. They really are kind of an already qualified
25 group. You know they're -- what have we done in that area?

1 CPAs, reaching out to the CPA community, because those are
2 largely the trusted advisors for a lot of small business,
3 and then collaboration with the SBA.

4 I think we're probably, several -- we're talking
5 about many things, but those are probably the three that I
6 thought, how do we -- what are the outreach efforts in those
7 categories?

8 MR. BURROWS: Sure. So I think there's three
9 parts to that question. The first was trade associations,
10 what we're doing on that front.

11 MR. STEPHENS: Right.

12 MR. BURROWS: Our Communications group has put
13 together a plan, but one of the proposals that just went in
14 front of the May small-business committee was to develop a
15 fully fleshed out trade association program. So that's --
16 that was voted on by the senior vice presidents to move
17 forward with that. So that's -- we've pulled together a
18 task force of the small-business specialists that will be
19 working on that. So that's a work in progress right now.

20 The second part of your question was what are we
21 doing with CPAs?

22 MR. STEPHENS: CPA community, which are
23 oftentimes --

24 MR. BURROWS: The CPA community?

25 MR. STEPHENS: -- trusted advisors for small

1 business.

2 MR. BURROWS: So that, that particular -- although
3 that's been talked about a lot in the past and some of our
4 regional offices do have CPAs kind of in their sphere of
5 influences of talking to them on an ongoing basis, that's
6 something that we probably need to work on, and I'll make a
7 note to put that in front of the small-business committee.

8 The last part of your question was how do we
9 interact with our sister agencies, in particular?

10 MR. STEPHENS: Yes, just collaboration with the
11 SBA, who's got kind of the brand name of --

12 MR. BURROWS: Right.

13 MR. STEPHENS: -- small business and --

14 MR. BURROWS: We work very closely with our sister
15 agencies, whether it's the SBA or Department of Commerce.
16 We're -- all of -- almost all of our 12 regional offices are
17 in USEACs that are a grouping of Department of Commerce,
18 Commercial Services, SBA, EXIM, and we work collaboratively
19 together.

20 So if we have a client that comes in and they're
21 not quite ready for EXIM financing yet, they're new to
22 exports, we'll take them down the hall to the Department of
23 Commerce. If it's a deal that may say there's a content
24 issue, we'll take them down the hall to our SBA partner. If
25 the SBA has a client that is too large of a deal for them,

1 they'll bring them down to us. So we have a collaboration
2 already in process with them.

3 MR. STEPHENS: Yeah. You do get a fair amount of
4 referrals from SBA?

5 MR. BURROWS: We do. The tracking mechanisms in
6 the past haven't been that great. With the new, the new CRM
7 systems, we have actually implemented through Salesforce our
8 -- our CRM now will be talking to Commercial Services, ITA.
9 So when they have a client that has gotten a gold key or
10 been on a trade mission, they'll route through to us, and
11 then we're able to follow up with them and hopefully convert
12 to an EXIM authorization. And we're hoping -- SBA does not
13 have a Salesforce system in place right now. It's kind of
14 word of mouth and we pass e-mails, but over time we're
15 hoping we'll all be talking through the CRM system.

16 MR. STEPHENS: I do think the SBA's got to be more
17 the regional office-driven contacts and some central hub or
18 anything. So --

19 MR. BURROWS: Yeah.

20 MS. GREGOIRE: Please, Gabriel.

21 MR. OJEDA: I mentioned during committee that I
22 have received some of the e-mails from Penton Media, and
23 they're very good, well-written, well-presented. I didn't
24 know if my e-mail address go to them from EXIM Bank or
25 because I get one of their publications, but they're very

1 well done.

2 MR. BURROWS: Probably the former, not the latter.

3 MR. OJEDA: Okay. Anyway, going back to outreach,
4 last week there was a meeting in Dallas. The chairman came.
5 I was there, and one of the bankers that was there, on her
6 business card said EXIM-certified. I didn't have time to
7 ask her what it meant. So I don't know if there's -- is
8 there --

9 MR. BURROWS: One of the bankers?

10 MR. OJEDA: Yep.

11 MR. BURROWS: So quarterly -- well, currently we
12 have what we call EXIM 101 training --

13 MR. OJEDA: Okay.

14 MR. BURROWS: -- that's open to anyone,
15 exporters --

16 MR. OJEDA: Okay.

17 MR. BURROWS: -- our multiplier networks, and then
18 on the second day we have what we call delegated authority
19 lender training --

20 MR. OJEDA: Okay.

21 MR. BURROWS: -- and they come in, and they
22 probably -- they attended that and got certified.

23 MR. OJEDA: Okay. Well, I mean, can they be used
24 to reach the small business by sending them literature,
25 e-mails, or --

1 MR. BURROWS: Yes. So one of the things that was
2 talked about this morning at the Advisory Committee is how
3 do we -- and Jay brought this up -- is how do we -- well, we
4 develop personas. One of the, one of the projects that we
5 want to work on, one of the personas we want to build out is
6 how do we get to delegated authority lenders or lenders in
7 general to educate about our products and services.

8 A lot of times in the commercial banking, the
9 small-business side of the house sits on the retail side,
10 trade finance sits on the commercial side of the house, and
11 they're two silos and they, a lot of times they don't
12 meet --

13 MR. OJEDA: Okay.

14 MR. BURROWS: -- and how do we get to people
15 within that bank and educate about the benefit of our
16 working capital program and trade credit insurance? So when
17 they have a small business that walks in the door and
18 they're struggling with working capital or they want to sell
19 on term --

20 MR. OJEDA: Uh-huh.

21 MR. BURROWS: -- and mitigate their -- the chances
22 of them not being paid when they sell on account, open
23 account, that they know EXIM is a viable solution.

24 MR. OJEDA: Okay.

25 MR. BURROWS: So we'll be building those out over

1 time.

2 MR. OJEDA: Okay. Just FYI, the person worked for
3 Amegy Bank, Olga Santiago, the Dallas person who came and
4 showed me her card that was EXIM-certified.

5 MR. BURROWS: So she holds it as a proud badge.
6 So she's one convert. Now we need hundreds to go, not
7 thousands.

8 UNIDENTIFIED SPEAKER: Yes.

9 MS. GREGOIRE: Great. Thank you --

10 MR. BURROWS: Thank you.

11 MS. GREGOIRE: -- very, very much.

12 MR. BURROWS: Thank you.

13 UNIDENTIFIED SPEAKER: Thanks, Jim.

14 UNIDENTIFIED SPEAKER: Good job.

15 MR. BURROWS: Thank you.

16 MS. GREGOIRE: So we're going into the
17 subcommittee. So how about small business in follow-up to
18 the presentation?

19 MR. WHITE: Yeah. I'd -- actually, I'd love to do
20 that because, Jim, that was quite a presentation, kind of
21 kept revealing itself, was a little bit like a clown card:
22 you kept pulling new features out on your marketing program
23 that we didn't have time to talk to, us in the committee.

24 Largely, we got into the digital, the digital
25 reach, and suffice to say, if we were to take a look at the

1 2015 letter or recommendation structure that we had drafted
2 and looked at it -- which never got published, by the way --
3 and looked at it in terms of 2016, I'd say Jim probably hit
4 a very high percentage. Jim and team hit a very high
5 percentage of trying to create the contact points, because
6 so much of our recommendations 2015 were contact, contact,
7 contact, where do we find them, because they're not
8 necessarily going to type in exim.gov. We're very pleased
9 to see this type of activity ongoing.

10 When it comes to products, we did have -- we have
11 had in the past some discussions about how we can kind of
12 cross-market working capital with the, with the credit
13 insurance products and/or term financing. Medium-term
14 products are very, very important to the small-business
15 community, and we think that this needs to be specifically
16 addressed.

17 We had a little bit of a discussion related to not
18 just the size of the deal but especially the local bank
19 guarantee requirement or how it's written in terms of what,
20 what do these prospects see, because we're understanding
21 there are still exceptions available for three years'
22 financials-related owner, owner parties. We'd like to
23 clarify this.

24 Digital marketing and what you saw up here, Jim's
25 group and Dan, I think it's fair to say we're very happy to

1 see what's there. We'd urge that the small-business group
2 get a clear idea of what your performance metrics are; in
3 many phases of this, what sort of feedback do you have,
4 because I'm going to -- small business will back you up on
5 your \$2.3 million budget proposal perhaps for the, for the
6 advertising and urge Fred to remember that there's an old
7 adage in marketing that you know you're wasting half your
8 marketing dollars but you don't know which half. So more is
9 better when you're trying to reach your 25 percent goal.

10 Reaching the supply chain in small business, I
11 mean, this has come up. If there's a common thread to this
12 whole meeting is how do we amplify that message? How do we
13 get, as maybe the prime contractors on a job with the EXIM
14 credit, how do we gather the information, tell our subs that
15 they're part of this? We have to tell them that they're
16 part of it. I don't know whether there's something in the
17 application process that might be, what percentage of this
18 is going to be U.S., U.S. subs, that it's also going to be
19 value at -- really kind of build up the multiplier effect.
20 Sounds like it's well known in Boeing, but when it comes to
21 SMEs, it's a -- it's all over the place.

22 Cross-agency collaboration we still would love to
23 see. I think this effort is good. We're going to get some
24 linking between SBA, Commerce, State, whomever. And we as a
25 small-business group have to make sure that there's advocacy

1 written in here in an acceptable way that the small-business
2 committee, not just now, but going down the road, if we're
3 going to hand this letter to whoever is going to succeed us,
4 that they find a way to have a road map to how do we as
5 small-business people advocate without tripping triggers.

6 So we're going to have to meet in a virtual
7 fashion, but those are the topics, I think, we touched. Do
8 my committee members want to add anything?

9 MR. NELSON: I think you pretty well covered it.

10 MR. WHITE: Okay.

11 UNIDENTIFIED SPEAKER: Good job.

12 MS. GREGOIRE: Thanks, Jay. Renewables.

13 MR. KIERNAN: I'm happy to jump in on Luis's
14 behalf. We did have a good meeting this morning, building
15 on past meetings. What our plan is going forward, we've got
16 an outline, using Matt's outline to begin with, on our set
17 of recommendations. In the next week or so, actually, we
18 hope to have a solid draft of these recommendations. What
19 we've done is we've frankly taken our 2015 recommendations,
20 brought them forward. We'll, over the next week, actually
21 this weekend, be refining those, circulate it to the
22 committee, and then circulate it to Matt and others.

23 So we've got a set of recommendations that we're
24 -- we want to refine. They fall in a couple different
25 buckets. I'll share at least two of them that I'm familiar

1 with: one, the chairman had a, I view it as, a good
2 productive meeting with environmental advocates. There's
3 been a challenging relationship with a number of them over
4 time, and I think having, as the committee is recommending,
5 regular, at least, annual meetings with the chairman and
6 that community to improve the communication, get some
7 momentum going on trying to find that middle ground and move
8 forward on it -- and I think we, in that recent meeting, did
9 find some places where we can work together. So we do want
10 to have some recommendations that relate to that processing,
11 just to improve on that front. That's one arena of
12 recommendations.

13 Another arena, as was very well articulated in the
14 Competitiveness Report, on the renewables front, there's
15 been a dramatic drop in the number of exports and projects
16 that EXIM Bank is involved with while other countries,
17 whether it's Germany, Denmark and others, are having a huge
18 number of renewable projects that they're exporting and that
19 their EACs are involved with and a desire for us to get some
20 analysis, some evaluation, understand what's going on here
21 and -- behind that data -- to then, obviously, ultimately
22 lead to are there some changes in, I don't know what, what
23 we need to do or not do or -- that comes from that, because
24 we had a certain level of renewable projects but we had a
25 congressional aspiration to get up here but, in fact, we

1 went from here, down here as opposed to getting up there.
2 What are we going to do about it? But we've got some more
3 analysis to do -- so those recommendations and a couple of
4 others.

5 So we're going to hopefully be evolving that in
6 the next week or two and then, you know, working with Matt
7 and others and obviously circulating to this group. So
8 we're trying to move somewhat rapidly forward with these
9 recommendations, that we know we've got some time this
10 summer to refine them.

11 MS. GREGOIRE: Questions or comments?

12 (No audible response.)

13 MS. GREGOIRE: Okay. Public engagement.

14 MR. STEPHENS: Public engagement, Sydney and I. I
15 don't know if you want to --

16 MR. THWAITES: Sure.

17 MR. STEPHENS: -- speak, Sydney.

18 MR. THWAITES: Yeah, sure.

19 MR. STEPHENS: Jenny was out.

20 MR. THWAITES: We went through the recommendations
21 we had from last year that never got done. We will get into
22 the recommendations, but we had our conversation this
23 morning about other agencies, specifically the Small
24 Business Administration, and kind of using them to mine some
25 of the smaller-company deals because they have such an

1 infrastructure in there. It was nice to hear that that's
2 already happening.

3 With some of these smaller businesses, it seems
4 like the online and the social media track is making it less
5 expensive to get after those leads and not having to kind of
6 reinvent and spend a lot of money on those. For the medium-
7 to larger-size, we talked about industry associations
8 because you can get a large number of qualified leads in the
9 room at once, with an example either from a member of an
10 advisory committee or a relationship the Bank already has,
11 and have someone in that group who can, who can act as an
12 advocate for EXIM.

13 We also talked about the associations and the
14 banking industry and how do we get to the mid-tier banks,
15 who are really the lenders to the companies who are really
16 driving the export volume.

17 So we kind of looked at it as a, as a, as a
18 smaller business, a lot of leads, more of like a branding
19 exercise: you get some qualified leads and you meet the
20 small-business requirement and you generate a lot of, you
21 know, a lot of activity but you still need those larger- to
22 mid-size deals in the middle. So that's kind of how we, we
23 looked at it, and our -- the suggestions will reflect along
24 those lines, a multi-tiered approach.

25 Anything I left out, Steve?

1 MR. STEPHENS: I would just, you know, the supply
2 chain demonstrations, how does that -- how do we redefine
3 the supply chain in the corporate cronyism? What's really
4 kind of behind that? That's kind of, I think, part of
5 public engagement and kind of along the lines of what Sydney
6 said.

7 Part of the challenge is, who is the public you
8 want to engage? What is that, really, audience? At some
9 element -- at some level it's the members of Congress, but
10 you really need to go to their constituents to kind of drive
11 that activity better than what we've done kind of
12 historically. So that's, you know -- the SBA could be a
13 part of that. It could be just kind of granular outreach,
14 things that Sydney has mentioned. But kind of identifying
15 who those target groups are going to be, I think, probably
16 is just as important as what the message is. So we had a
17 good discussion.

18 MS. GREGOIRE: Questions or comments?

19 (No audible response.)

20 MS. GREGOIRE: So, Matt --

21 MR. SLAUGHTER: Yes.

22 MS. GREGOIRE: -- do you have -- yes. So when we
23 spoke last time, we talked about having a transition
24 document. So Matt took a shot at it, I did a little editing
25 of it, and now we're giving it to you, knowing full well it

1 is just that, a draft, but if you can get your comments
2 back. We don't want to finish it until September because
3 things could happen between now and September that we may
4 want to add something to it, but if you could take a look at
5 it.

6 It's intended, again, for our successors. So
7 attached to it will be each of your reports, the
8 subcommittee reports, but it's also to give them kind of a
9 basic understanding of what is the purpose of this group,
10 their number one statutory purpose; and then, in general,
11 what beyond that and kind of to encourage them to get
12 engaged, get involved and they will benefit and the staff at
13 EXIM will benefit because you, respectively, have insights
14 that are good for the folks here at EXIM to hear and be a
15 part of.

16 So just take a look at it when you get a chance.
17 For purposes of this draft, what would you say? When can
18 could you get -- there's no hurry -- but when could you get
19 the comments back?

20 MR. SLAUGHTER: A week after Labor Day maybe if we
21 are meeting the end of September, or we could do end of July
22 so no one's got to do anything in August.

23 MS. GREGOIRE: How about end of July, and we'll
24 give you a little reminder, in case you forget between now
25 and then, that we need your comments back, but again, the

1 September meeting will be the meeting in which we actually
2 finalize this, because we will finalize the subcommittee
3 reports, which will be attached to it as well. When is the
4 September meeting?

5 MR. SLAUGHTER: I was just about to bring that up.
6 We actually need to, I think -- I need to send out an e-mail
7 to everybody to make sure that they can do the last
8 Wednesday in September. Been some schedule requests that
9 have come through to move the meeting to later in the month.
10 So I'll be sending a communication to that out this week.

11 MR. OJEDA: So is that a fact or a guess? Are you
12 moving it to the last Wednesday?

13 MR. SLAUGHTER: Well, I was going to send that
14 communication out and see what folks, see what folks could
15 do, but that is, that is the current -- yeah, 28th. So you
16 don't need to tell me now. I'll let -- please let me know
17 if that does not work.

18 MS. GREGOIRE: So what that means is all of the
19 subcommittee draft reports need to be out by, let's say, the
20 15th of September. I don't know what that date -- what is
21 that? Let me get a calendar up here.

22 MR. HOCHBERG: 15th is a Thursday.

23 MS. GREGOIRE: Okay. How about the 16th then?
24 Out by the 16th, you-all, and then be prepared, if you
25 could, to get the comments back before the meeting to the

1 respective subcommittee chairs. So that what we will look
2 at is really, hopefully, a final document in each of the
3 subcommittees so we can finalize and approve in that
4 September meeting. And we'll send Matt a reminder out --

5 MR. SLAUGHTER: Yes.

6 MS. GREGOIRE: -- on, on that.

7 Public comments? I'm a little early. Is that --
8 where's a lawyer here, other than me, that knows something?
9 Anyway, is there any public comment?

10 (No audible response.)

11 MS. GREGOIRE: Anybody here not affiliated with
12 the Bank?

13 (No audible response.)

14 MS. GREGOIRE: So anything for the good of the
15 order, Mr. Chair?

16 MR. HOCHBERG: I'll just reiterate, one, a
17 particular thank you to Jim Cruse, Isabel, and their team,
18 because I think they have steadily given us better and
19 better content to work with for the committee in terms of
20 Competitiveness Report and it keeps getting better and
21 better.

22 And also hats off to Jim. I see Sean (phonetic
23 sp.). The rest of the small-business team is filtering out,
24 working on leads, but I thought, you know, the work -- I
25 stopped by earlier today -- and in this presentation I just

1 think, you know, it's very impressive the direction that our
2 small-business group has gone in, from six, seven years ago
3 of making cold calls to actually having more leads and
4 turning them into export opportunities, where we can make a
5 difference.

6 So I just want to thank the team here, Small
7 Business in particular, and Policy and Planning, who made
8 presentations today, and just again, thank you to the
9 committee. I know that, as I said, we recruited you all.
10 We simply took last year's committee and said, can we just
11 roll this forward so we can produce both a good report to
12 Congress and a report that, I think, increasingly tells a
13 story that's important to be told?

14 So I just want to thank everybody once again, and
15 again, thank our chairperson, Chris Gregoire, for another
16 great year. We still have one more meeting, but you know,
17 the statutory work of the committee is really concluding in
18 the next week to 10 days. So --

19 MS. GREGOIRE: Yes. Yes.

20 MR. HOCHBERG: And I will be actually presenting
21 the Competitiveness Report a number of times over the
22 summer. I'm going to be speaking in New York on the 29th of
23 June. Report comes out on the 30th. And then usually, we
24 find -- it'll be -- and other speeches around the country.
25 We'll probably -- we're working on either an op-ed or a

1 longer piece because I think there's a lot of really good
2 results, but we want to make sure we can get that word out.
3 So thank you again.

4 MS. GREGOIRE: So thank you, Fred, and you know,
5 it's really, I think, quite healthy to see, because when we
6 last met, we were just -- you were just coming out of the
7 lapse and still in the no-quorum -- well, we're still in
8 that latter category -- you-all have just come out of the
9 lapse guns a blazing, and that is to your leadership credit
10 and to the respective folks at the, at the Bank.

11 And we played with language in the report about
12 how there weren't a lot of people who left during the course
13 of the lapse and -- so that anybody who reads it doesn't
14 misunderstand that. To me it's like, in a crisis, everybody
15 says, get ready, we're going to see ourselves through the
16 crisis, we're not thinking about leaving or moving because
17 we're a team, we're going to stick together, and I think
18 that's the attitude that you created here and that was
19 present, and you-all have done a fabulous job --

20 MR. HOCHBERG: Thank you.

21 MS. GREGOIRE: -- so congratulations.

22 One idea we didn't talk a little bit earlier, the
23 report is much better than what that is. It's still 100 and
24 plus, and so --

25 MR. HOCHBERG: My goal was to get it to about 40

1 pages or 50. So we're --

2 MS. GREGOIRE: Yes.

3 MR. HOCHBERG: What's it going to weigh in at,
4 Brad? About 100?

5 MR. CARROLL: I'm sorry?

6 MR. HOCHBERG: The final report.

7 MR. CARROLL: Oh, Jim and Isabel ran away so they
8 don't have to answer your questions.

9 MR. HOCHBERG: They always run when I ask that
10 question.

11 MS. GREGOIRE: So what we talked a little bit
12 about, is there a way to capture it in either -- what was
13 that term?

14 UNIDENTIFIED SPEAKER: Pocket card.

15 MS. GREGOIRE: Pocket card?

16 MR. HOCHBERG: Yes. I think that's what we will
17 -- sorry. One of the things we've done is we've reduced our
18 annual report to a pocket card, and the good news and the
19 bad news is -- the good news is that members of Congress
20 say, great, that's all I need, is this little card that fits
21 in my pocket, tells me everything. We put a lot of work
22 into the annual report. We just don't get as much
23 readership. So we'll produce a, quote/unquote, sort of
24 pocket card on the Competitiveness Report so that we can
25 have a quick summary, and that way if people here are giving

1 a talk or it comes up, you have a very condensed
2 communication device for that.

3 The other thing -- I was actually just looking
4 over to Carolyn -- you know, both Carolyn and Matt had --
5 Matt Slaughter -- had suggested, and I think -- we're going
6 to make sure that we have more of this data accessible,
7 because one of the things that will actually, I think, be
8 helpful from a communication and understanding is getting
9 people at think tanks and graduate schools to be able to
10 sort of write papers and so forth on it, because there's a
11 lot of data that would be very hard to replicate.

12 So really want to be working with -- I know Jim
13 and Isabel -- but Carolyn and Matt and people so we find a
14 way that our data gets used and reported and quoted and
15 referred to, will be actually helpful in the broader trade
16 debate and certainly in the debate that we'll probably
17 unveil for the 2019 reauthorization.

18 MS. GREGOIRE: And just to be clear -- what do
19 they call it again? Not battle card. What's the word?

20 MR. HOCHBERG: Pocket.

21 MS. GREGOIRE: Pocket card.

22 MR. HOCHBERG: Battle card.

23 UNIDENTIFIED SPEAKER: The idea battle card.

24 MS. GREGOIRE: Is we thought that was the best to
25 expect from members --

1 MR. HOCHBERG: Right.

2 MS. GREGOIRE: -- and that the staff would read
3 the report --

4 MR. HOCHBERG: Right.

5 MS. GREGOIRE: -- is kind of where we were coming
6 from. We weren't --

7 MR. HOCHBERG: Yes.

8 MS. GREGOIRE: -- coming from the let everybody
9 cop out and read the pocket card --

10 MR. HOCHBERG: Right.

11 MS. GREGOIRE: -- rather --

12 MR. HOCHBERG: Yes.

13 MS. GREGOIRE: Okay. And, of course, the foreign
14 ECAs, as Jim always puts it, read it by every letter, every
15 word.

16 MR. HOCHBERG: You know, Chris, when you said
17 battle card, when I was a dean, we, our faculties in --
18 faculties in school sometimes have a hard time getting
19 along. So we did an off-site retreat and we brought in a
20 facilitator, and the provost kept saying, so this mediator.
21 I said no, he's not a mediator, he's a facilitator. So it
22 is a pocket card --

23 MS. GREGOIRE: Card, not a battle card.

24 MR. HOCHBERG: -- not a battle card. It was a
25 facilitator, not a mediator.

1 MS. GREGOIRE: So that's all that I had. Anybody
2 else, something for the good of the order, you-all?

3 (No audible response.)

4 MS. GREGOIRE: Thanks for your participation, good
5 to see all of you, and look forward to seeing you guys in
6 September. Thanks, everybody.

7 UNIDENTIFIED SPEAKERS: Thank you.

8 (Whereupon, at 2:38 p.m., the meeting was
9 concluded.)

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Digitally signed by Wendy Campos

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Transcriber

June 9, 2016

Date

EXPORT-IMPORT BANK OF THE UNITED STATES

ADVISORY COMMITTEE MEETING

Wednesday, September 28, 2016

11:08 A.M.

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

PRESENT:

COMMITTEE MEMBERS:

Christine Gregoire, Chairperson
Bob Perciasepe, Center for Climate and Energy Solutions
Caroline Freund, Peterson Institute for International
Economics
Celeste Drake, AFL-CIO
Don Nelson, Ramsgate Engineering, Inc.
Gabriel Ojeda, Fritz-Pak Corporation
Jennifer Fulton, Miss Jenny's Pickles
Kusum Kavia, Combustion Associates, Inc.
Luis Ubinas, Former President, Ford Foundation
Owen Herrnstadt, International Association of Machinists and
Aerospace Workers

PRESENTERS:

Michael Froman
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ALSO PRESENT:

Fred P. Hochberg

Wanda Felton

AUDIENCE:

Scott Schloegel

Caroline Atkinson

Matthew Bevens

P R O C E E D I N G S

MS. GREGOIRE: Good morning, everyone. So we have got a lot to accomplish today. This is the last meeting of the constituency of this group. As has previously been described, when Fred asked me to chair, as we went through reauthorization, the clear expectation was one year. We're now three years later.

So we have for you, Fred, a lot of work that is not just one year's worth of work, obviously, to report on today. I think you're going to be very pleased, and I think it will position the next group to ready themselves, to take the baton and move forward. And we have a transition document we'll talk about this afternoon, just kind of a conglomerate of our feelings about how they can be more effective for you and for the future of the Bank.

Let me start by saying, again, on behalf of all of us, it has been a pleasure to serve with you. Thank you for your public service and for that of the entire team at EXIM Bank. Without any question in my mind whatsoever -- and I've had a lot of exposure to public service -- you all are the best, and we want to --

MR. HOCHBERG: Thank you.

MS. GREGOIRE: -- thank you on behalf of all of us. Thank you.

MR. HOCHBERG: Thank you.

1 MS. GREGOIRE: So we can know everybody who's
2 joined us here today -- this is a public meeting -- so if we
3 could start with introductions. Scott.

4 MR. SCHLOEGEL: Sure, Scott Schloegel. I'm SVP
5 and chief of staff at EXIM.

6 MR. HALL: C.J. Hall, chief operating officer at
7 EXIM.

8 MS. SCULLIN: Caroline Scullin, SVP of
9 Communications here at the Bank.

10 MR. PHILIPSON: Joe Philipson, Communications
11 advisor.

12 MS. LEWIS: Ashley Lewis, Senior Comms Advisor.

13 MS. ROTHBART: Justine Rothbart, archivist at the
14 Bank.

15 MR. SHERMAN: Matt Sherman (phonetic sp.), intern.

16 MR. SCHULTZ: Eric Schultz (phonetic sp.),
17 International Business-Government Counsellors, intern.

18 MR. GEBHART: Tanner Gebhart, IR.

19 MR. TOMAN: Kyle Toman in Policy.

20 MR. ENGLER: Ryan Engler, IR.

21 MR. MOROFF: Adam Moroff, IR.

22 MS. NEIL: Kristin Neil (phonetic sp.), IR.

23 MS. GREGOIRE: IR?

24 MR. HOCHBERG: I was going to say, the folks that
25 are up here --

1 MS. GREGOIRE: IR?

2 MR. HOCHBERG: -- have no idea what IR is, and
3 they -- they know the IRS, but I don't know that they know
4 what IR is.

5 MS. GREGOIRE: Right.

6 UNIDENTIFIED SPEAKER: International Relations.

7 MS. GREGOIRE: Thank you.

8 MS. NEIL: I'm Kristin Neil, IR.

9 MS. FITZGIBBON: Good morning. Jean Fitzgibbon,
10 Trade Credit Insurance.

11 MR. CRUSE: Jim Cruse, Policy and Planning.

12 MS. BERNARDO: Andrea Bernardo, Assistant General
13 Counsel for Administration.

14 MR. BURROWS: Jim Burrows, senior vice president,
15 Small Business Division.

16 MS. MAXWELL: Tamara Maxwell, Small Business.

17 MR. LUKE: Sean Luke, Small Business.

18 MS. SMITH: Krystal Smith, IMT.

19 MR. OWENS: Jake Owens, Office of the Chief
20 Operating Officer.

21 MS. WALSH: Helene Walsh, Policy Analysis.

22 MS. GULICK: Erin Gulick, Congressional Affairs
23 and Intergovernmental Affairs.

24 MR. BERGER: Jim Berger, Washington Trade Daily.

25 MS. GREGOIRE: Great. And before I ask you, Fred,

1 to kind of give us an update, I looked back. You know, we
2 always kind of look at this, and we want to critique it. I
3 want to take a step back.

4 THE REPORTER: Your mic is not on.

5 MS. GREGOIRE: Oh, God, I'm sorry. I want to take
6 a step back and look at this document and congratulate you
7 and Jim and the entire team. This is a significant
8 improvement over where it was several years ago -- looks
9 good, the content is great, and you have answered our asks.

10 MR. HOCHBERG: Yes. This is what it looked like
11 in 2011.

12 UNIDENTIFIED SPEAKER: Wow.

13 MR. HOCHBERG: There is -- I'll share it just with
14 the committee because some of -- this was -- I was once,
15 inappropriate statement I made. I won't repeat it. I
16 referred to the old document, was a little bit like a
17 doorstop, you know. It was a, it was a, it was a compliance
18 document. This one actually tells a story.

19 MS. GREGOIRE: Right. Right. So congratulations
20 on that right off, and with that, we'd like to turn it over
21 to you for a chairman's update.

22 MR. HOCHBERG: So -- and just to follow on
23 Governor Gregoire, the current form of the Competitiveness
24 Report is really a great collaborative effort between Policy
25 and Planning, the team in International Relations, which is

1 part of Policy and Planning, and Communications, and
2 rethinking this is something we ought -- we need to talk to
3 stakeholders so they understand what the competitive
4 landscape is all about.

5 Let me take a moment also, there are two new staff
6 members I just want to particularly identify: Caroline
7 Scullin, who is our senior vice president for
8 Communications, who just introduced herself, and Jake Owens,
9 along the wall, who is working with C.J. on a lot of --
10 particularly on a number of transition matters so that we
11 have a smooth transition to a new administration come
12 January 20th.

13 We're going to -- the agenda today, just to
14 quickly recap, Erin is going to talk about the Board quorum
15 and some of the issues on the Hill. She'll be speaking
16 shortly. C.J. is going to talk about the transition.
17 There's both a transition, obviously, from the Advisory
18 Committee -- when I came to the Bank in May of '09, the
19 Advisory Committee was chugging along and well on its way
20 and actually deliberating the final contours of their letter
21 for that year. So it'll be important that -- when we have a
22 Board, we will reconstitute a new Advisory Committee that
23 can then continue this work.

24 We're going to hear from some of the subcommittee
25 reports. I had a chance to visit some of the last -- their

1 last deliberative meeting, and I think we're going to get
2 some really good input and good recommendations from that.

3 We're going to hear from Mike Froman, who's going
4 to talk a little bit about TPP and the trade agenda, and
5 Dave Thompson. We invited a CEO to join us to talk about
6 his -- the competitive landscape. Orbital is one of four
7 satellite companies in the United States and actually built
8 them and operates right outside -- right by Dulles Airport.

9 This is the last meeting of this term, and as I
10 said, we'll, a little bit -- once we have a quorum, we'll be
11 able to reconstitute and work on a new Board.

12 A couple of updates -- on the 2015
13 reauthorization, we're about three-quarters of the way
14 through the year; we have actually complied with about
15 three-quarters of the requirements of that reauthorization.

16 A number of items don't require actual action,
17 such as they, they reduce the lending cap of the EXIM Bank
18 from 140 billion to 135 billion. There are a couple that
19 do. We have appointed a chief risk officer, Ken Tinsley,
20 who was our senior vice president for Credit Policy, I
21 selected as our chief risk officer. Vice Chair Felton and I
22 both met with him. He has to be sort of formally reviewed
23 by the Board as part of the new charter before that becomes
24 completely official.

25 Our charter also required a chief ethics officer,

1 and Lisa Terry, who was a, formerly an attorney with our
2 general counsel's office, will be coming back and assuming
3 that position as well, but these all require a Board quorum.
4 So there are some things that we cannot comply with fully of
5 the requirements of the reauthorization until we get a
6 quorum.

7 I'm very pleased at the progress that the teams
8 are making. OGC and Congressional Leg. Affairs have been
9 working on -- they're working with a lot of working groups
10 within the Bank, but we've made far more progress and done
11 it far more quickly than in the 2012 reauthorization.

12 In terms of authorizations, approvals of loans for
13 exports, last year, not that we need to remember, but we had
14 a, we had a lapse in new loan authority on July 1st. So
15 last year our work really was nine months and was about \$12
16 billion of loan authorizations and insurance. This year we
17 went back into business on December 4th, when the President
18 signed the reauthorization, however, without a quorum, and
19 we've done just over \$4 and a half billion. So we're off by
20 about two-thirds from where we were a year ago, and last
21 year was not a, was not a full year to begin with as well.

22 The impact is dramatic. We are supporting far
23 less jobs this year than we even did a year ago. Last year
24 it was 109,000. This year it's in the 35, 37,000 range.
25 Obviously we won't have a full number until we close the

1 books on, at the -- on Friday at midnight.

2 One of the things that I think that is often not
3 recognized is that our Board quorum also serves a lot of our
4 small businesses, both through supply chains -- some of the
5 discussion I had a chance to listen in on with the
6 small-business committee earlier today -- and also small
7 businesses also require loans, sometimes north of \$10
8 million. So when we look back to 2009, about 40 percent of
9 the businesses that actually went through the Board, either
10 through supply chain or directly, directly benefited, had an
11 impact on small businesses.

12 So I mention that because there's -- there are
13 some who say, oh, without a quorum they can just do small
14 business and there's not really an impact. There's been a
15 very large impact on small businesses. More than one has
16 said, talked to me about, I can't believe I may have to
17 think about relocating my business outside the U.S. because,
18 to compete in global markets, I need to have an export
19 credit agency and I love running my business in America but
20 I also can't lose my business because I can't get financing.

21 So I'm also on the homestretch of my term here.
22 Next month I will -- I learned I will be the longest-serving
23 chairman at the Bank, and the world has changed a lot even
24 in the seven and a half years that I've been here -- one,
25 obviously, we're much more of an export nation than we were

1 in 2009. Exports now are in the \$2.3 trillion level, up
2 from about one-sixth, up about 40, 45 percent in that
3 period. We are much more of an export nation than we were
4 five, six, seven years ago. It's hard to remember, but in
5 2002 we were still -- we were the largest exporter in the
6 entire world in 2002. We were then overtaken by, not China,
7 by Germany. Then Germany was overtaken by China. We fell
8 to third place. I'm happy to say in 2012 we moved back to
9 second place.

10 And it's not just a competitive race, but the
11 benefits of being the largest exporter in the world are
12 enormous in terms of the follow-on sales. Many, many
13 products like -- I should not be looking at Gabriel because
14 -- like the Gillette razor, it's not the razor, it's the
15 blades, and with a lot of products -- and I see Owen is here
16 -- you know, when it comes to aircraft, there are a lot of
17 replacement parts and tune-ups that support jobs for 10 and
18 20 years after that initial sale is made.

19 So there are a lot of benefits for us being the
20 number one exporter, and I think that -- I still believe
21 that's within sight. We're now beaten only by China, and
22 we've got the innovative products. We've got -- people want
23 to do business with the United States. They want to do
24 business with American companies. So we have a lot of
25 built-in advantages.

1 Under this administration this Bank has supported
2 1.4 million export jobs. The administration has added about
3 15 million jobs since 2009. I believe that's the strongest
4 job growth in any seven-, eight-year period, but the
5 landscape has changed somewhat. Global growth is down. We
6 were looking at five percent global growth when China was at
7 a, at a faster pace; Europe was growing. We now are in a
8 situation where the United States, China, and India account
9 for 80 percent of global growth, 80 percent of global
10 growth. We -- it is not -- I'm very happy about those, our
11 country and the other two, but we need, we need the rest of
12 the world to be pulling along as well. We need Europe to be
13 pulling along. We need Japan. We need the rest of the
14 world also to be contributing measurably to global growth.

15 So we have, global growth is down. Fiscal policy
16 in terms of tax cuts and fiscal change is very hard to do
17 right now, or fiscal spending, because of high debt levels
18 across the world, not just in the United States. Sometimes
19 this is perceived, sometimes it's real, but it has slowed
20 governments from really putting a lot of more efforts into
21 fiscal stimulus. We all know that monetary policy with
22 interest rates at or near zero and, in Europe, negative,
23 there's not a lot that central banks can do.

24 So the reason I bring this back to us is it means
25 for a far more competitive landscape for exports. We have

1 slower growth, and country after country -- and this comes
2 out in this year's Competitiveness Report -- are really
3 looking at exports as a way of driving their economy, and
4 they're using their export credit agencies as they never
5 have before. So they look at exports as being a way of
6 adding jobs. It's very tangible. If it happens with their
7 export credit agency, it costs no money, often makes a
8 profit.

9 So this has been seized upon by a number of our
10 competitors, who are moving out of the mode of just filling
11 in a gap or leveling the playing field but, really, a
12 competitive tool to enhance their global competitiveness,
13 advance the interest of a lot of national-interest
14 companies. So -- and we've seen that in, a lot in Asia,
15 Japan, China, Korea, and even some in Europe as well.

16 So that makes for a much more competitive
17 landscape and a much more difficult environment, where we
18 have 85 and counting export credit agencies that are going
19 ahead, all ahead full, and we've got a number of roadblocks
20 or speed bumps that are in our way. So, you know, other,
21 other export credit agencies don't have, don't have a quorum
22 issue, don't have a charter issue. There are a number of
23 things that enable them to be, in a more unfettered way,
24 supporting their companies.

25 So this committee has been very helpful in doing

1 so. As Governor Gregoire pointed out, I mean, the creation
2 of this Competitiveness Report has helped make that case to
3 stakeholders in America, has helped make that case to
4 members of the Hill, and notwithstanding some of the
5 congressional challenges we have, it's always important to
6 remember that we had an overwhelming bipartisan majority in
7 the House and a majority of the Republicans, so we had a
8 majority of the majority; we had every Democrat save one,
9 and we had a two-thirds majority in the Senate. So that has
10 to do with making a case very clear of how we contribute to
11 the American economy, what the competitive landscape is, and
12 how we're delivering jobs and supporting jobs in communities
13 around this country.

14 So that's a thank-you for how the work of this
15 committee and the work that, Governor, that you have led
16 fits in with that larger narrative that we need to be
17 working on. And, frankly, the next administration, when it
18 comes to the EXIM Bank, is going to be needing some --
19 continuing to make those points so that we can have a robust
20 Bank that's really supporting U.S. jobs in the way that we
21 need to continue to do so.

22 We've got a lot more work to do, and I'm anxious
23 to hear from the rest of the meeting and the committee. So
24 thank you for giving me a few minutes, and let me turn it
25 back over to Governor Gregoire.

1 MS. GREGOIRE: Thank you, Fred, very much. The
2 other half of the Board is here, and Wanda, we want to thank
3 you for being here and for joining us last night. We very
4 much appreciate your being here and the thoughtfulness with
5 which you've participated throughout the time that we've
6 been members of the Advisory Committee. Thank you.

7 MS. FELTON: Thank you, Governor Gregoire, and
8 it's been a privilege to work with each of you and have the
9 opportunity to get to know each of you. You bring very
10 unique, different, and valuable perspectives to what we do,
11 and real-life perspectives that lend context around how it
12 adds value to the, your particular businesses, enterprises,
13 or activities as either business people, labor, or NGOs and,
14 in your case, Governor, kind of the think tank community.

15 Your perspective has been very valuable, and under
16 your leadership we have, I think, probably the most
17 productive Advisory Committee that we've had, and it's been,
18 as the chairman said, through a very, very contentious and
19 difficult period for the Bank. So it's very much
20 appreciated by all of us.

21 MS. GREGOIRE: Thank you.

22 MS. FELTON: Thank you.

23 MS. GREGOIRE: Thank you. So, Mr. Chair, we'd
24 like to present what will be the draft committee reports
25 today. Hopefully, we will finalize them all, and they, as I

1 said earlier, represent a couple of years' worth of work
2 because last year we were not able to finalize any of our
3 work. So it is a reflection both of where we were last year
4 and the implementation that has been done based on the
5 discussions that had been had and then, subsequently,
6 additional recommendations as the issues have arisen in part
7 because of reauthorization but also because of what's
8 happening globally, and we know the challenges that we have
9 before us.

10 So we're going to start with Luis, and what I'd
11 like to do is have you, if you would, Luis, and each of the
12 chairs, go through your, your recommendations, ask any of
13 your colleagues on the subcommittee to chime in where they
14 deem it appropriate, take some questions, and then I don't
15 intend to take a vote, but I intend to ask the question
16 whether this fairly represents the Advisory Committee
17 overall. And so that, with -- with you, Luis.

18 MR. UBINAS: Yeah. I'll be very, very brief, but
19 let me just begin with thanks on behalf of all of us who
20 served on the committee to all three of you, Governor
21 Gregoire as Chairman and Vice Chair Felton and Chairman
22 Hochberg. It's been, personally, a wonderful experience. I
23 know for all of us it's been a terrific opportunity to both
24 contribute and to get to know a great group of people. I've
25 had the benefit of serving now for three years, and I can

1 say that every year it's been a wonderful opportunity to
2 spend time with some folks who I wouldn't have otherwise
3 met. So thank you all and thank the three of you.

4 Our report in many ways is the accumulation of two
5 years' work, as you've said, and as a result, it's got a
6 fair number of, of recommendations, 12 in all. I would
7 summarize them --

8 MS. GREGOIRE: So this is the public engagement
9 one that you-all have before you.

10 MR. UBINAS: No. This is --

11 MS. DRAKE: No.

12 MR. UBINAS: -- the environmental and renewable
13 subcommittee.

14 MS. GREGOIRE: Oh, I'm sorry, the environmental
15 one that you-all have before you, yes.

16 MR. UBINAS: Yeah. Public engagement was my --

17 MS. GREGOIRE: Sorry, was last year.

18 MR. UBINAS: It was two years ago, two years ago,
19 but the environmental and renewable subcommittee report
20 really focuses on two areas, and in many ways we've been
21 engaged in the conversation about these recommendations for
22 two full years, and, and the Bank has made progress on them
23 on an ongoing parallel -- in an ongoing parallel way.

24 The recommendations sit in the category of first
25 building relationships with the environmental community, and

1 the Bank has instituted a set of ongoing meetings with them,
2 with the chairman having individual and group meetings, but
3 also his staff having ongoing conversations, including, for
4 example, a conversation later today.

5 The hope is that by building those relationships,
6 that trust can be built, understanding can be built, a
7 breadth of understanding about the Bank's work in the
8 renewable space can be, can be established, and I'd say the
9 Bank is on its way to doing that, and there's several
10 recommendations that support that ongoing work.

11 The second set of recommendations are around
12 process to ensure that the Bank is strengthening and
13 reinforcing what are already very strong processes around
14 environmental and even social impact. We've had the benefit
15 of very, very strong leadership. We as citizens have had
16 the benefit of very, very strong leadership of this
17 organization at all levels for some time now, and it's
18 important that the processes reflect that externally, as
19 well, to ensure that people understand that of course the
20 Export-Import Bank takes into account environmental issues
21 as they make their decisions in a formal, rigorous, ongoing,
22 systematic way. The combination of those meetings and
23 clarification, communication, and reinforcement of those
24 processes should over time then yield the kind of support or
25 at least participation from the environmental and renewables

1 community that you'd hope.

2 That's a brief summary of our 12 recommendations,
3 but let me see if Celeste -- Tom is not here -- Celeste or
4 Bob have anything to add to that?

5 MS. DRAKE: I think that's a great summary, and I
6 just think that the, the Bank has done an excellent job of
7 starting to do more institutional -- systematizing and
8 institutionalizing the outreach and the discussion with the
9 environmental community and, I think, will continue to do
10 so, and we've just got to get all sides talking to each
11 other more. And I think the Bank has come a long way and
12 with our recommendations will continue to make progress, and
13 we on the Advisory Committee are committed on or off the
14 committee to continue to try to help with that.

15 MS. GREGOIRE: Great.

16 MR. UBINAS: Bob, anything to add?

17 MR. PERCIASEPE: Yes. First of all, thanks to the
18 committee for all the work, most for you, for your plowing
19 through and getting us to work with you on this. I just
20 want to make two quick observations -- one, a reminder to
21 all of us and the staff that, you know, one-off meetings,
22 you know, once a year or something like that are not going
23 to be enough. You know, our -- the intent in our
24 recommendations is that those ongoing relationships get
25 developed, and I know that that's starting and continuing

1 and growing. So we need to make sure that keeps happening.

2 The other thing is, we have a number of items in
3 here that are really focused on what's going on with the
4 environmental export demand, particularly for renewables,
5 and as the, as the staff goes through these and starts to
6 look at some of the plans that we've suggested that they do,
7 it would be helpful that they also recognize the, and take a
8 good look at the commitments countries have made under the
9 Paris agreement. While they're -- that's inherent in these
10 things, I just want to mention in general that almost 160
11 countries now have actually, or 180, have put through their
12 nationally determined contributions, many of them which
13 include increased renewables, you know, astounding numbers
14 in some of the countries, like China and India -- so a real
15 opportunity, I think, there for American businesses to be
16 doing some exporting and should be part of the plans that
17 are highlighted in our, in our recommendations to all of
18 you.

19 In fact, I was in New York last week during the
20 General Assembly of the United Nations, and I was at a, at a
21 chat, at a talk with Jonathan Pershing, who's the U.S. envoy
22 for climate change, and he specifically mentioned the EXIM
23 Bank as a tool that the United States will be looking for to
24 help export of low-carbon technologies to the world. So
25 it's an opportunity that should be built into the plans that

1 we've recommended here. That's all.

2 MR. UBINAS: Thank you. Any questions? Any
3 comments? Governor, anything?

4 MS. GREGOIRE: So I just want to harken back. My
5 -- when you first asked me to join, my first assignment was
6 I was on the environmental/renewables subcommittee, and it
7 was a highly contentious relationship between the Bank and
8 the environmental community at that time. And while nothing
9 is perfect and there's a lot to do, the relationship has
10 dramatically changed, and that's to the credit of you, Fred,
11 stepping forward and personally engaging and that of your
12 staff.

13 So I think the recommendations you have here are
14 to take it to the next level, but I don't want to forget the
15 progress that's been made, because it has been significant,
16 and frankly, we've got work to do in renewables here at the
17 Bank. Here's a golden --

18 MR. HOCHBERG: Yeah.

19 MS. GREGOIRE: -- opportunity, I think, before us
20 as a nation, but we've got some obstacles as well, and so
21 this is a very, very important part of the Bank's future, in
22 my mind.

23 So, Luis, thank you. To the whole subcommittee,
24 thank you guys. This is extremely important, and I think
25 you-all have done a very nice job.

1 MR. UBINAS: Thank you. Thank you on behalf of
2 all of us.

3 MS. GREGOIRE: Does this document that you have
4 fairly represent the, the group's feeling on this?

5 Great. With that, we will submit this to you,
6 Mr. Chair --

7 MR. HOCHBERG: Great. Thank you.

8 MS. GREGOIRE: -- as our recommendations from that
9 subcommittee. Now, if we can now turn to the public
10 engagement. Jenny.

11 MS. FULTON: Well, first of all, I want to say
12 thank you. It's been a privilege and a true honor to serve
13 with each of you and for Fred, including the pickle lady.
14 It's been just an honor, so thank you. And I'm also very
15 excited to share with you -- when I came to the Bank, I
16 guess, three or four years ago, on the committee, the
17 website was just terrible, I'm just going to be honest, and
18 if you look at the website today, it's amazing. The
19 pictures are beautiful. It's easy to navigate. It's, it's
20 fantastic. Kind of like the reports have evolved, so has
21 public engagement and the website. So the staff here, Jake
22 and Catrell, you-all have done fabulous, all of you, and I
23 just want to commend you.

24 And with that, we are making nine recommendations
25 to continue to build on public engagement, to the chairman,

1 and you know, we've come so far in a short period of time
2 that it's really impressive with the public engagement. For
3 example, there's been an external affairs team put together
4 for cross-posting and reaching out to the local chambers as
5 well as other companies, as well as other associations like
6 the SUSTA that I throw out as an example, the Southern
7 United States Trade Association, and really doing
8 partnerships, promoting events, and increasing our search
9 engine optimization, webinars with chambers, which I think
10 Fred did one yesterday. You know, three years ago, that
11 wasn't happening. So that's, you know, another form.

12 A great example is there are 54,000 links back to
13 the EXIM website from all over and 3800 domains. That's a
14 big deal because, you know, socially, people never sleep and
15 you don't know when they're looking at the EXIM Bank, but if
16 they're not -- if they're looking at it at night or during
17 the day, they're getting high-quality information.

18 I think it's real important that the Advisory
19 Board continue to work closely with the staff in the
20 recommendations. They listened. We had a great group to
21 work together.

22 Also, we're raising up the profile of the Bank.
23 For example, leadership, Fred, he was doing 10 to 12
24 speeches, or speaking engagements. This year he's scheduled
25 to do about 40. That's a big deal, you know, just saying.

1 Also, the great thing that's come out of public
2 engagement is, you know, we're increasing all this awareness
3 and doing this, but we also now have metrics in place to
4 build data for tracking. So for future reference, people
5 are going to be able to look back, say, hey, how many
6 speaking engagements, what kind of feedback did we get from
7 that? So we're building a database. That's never been done
8 before and that's, that's key.

9 One thing that they're doing, which I think is
10 fantastic, is an e-mail blast to congressional, or members,
11 that are customized. So if there's a new customer of the
12 Bank that, you know, is in Arkansas, we're letting that
13 member know. So we're providing really good information,
14 and that's what our public engagement is all about.

15 So with that, I'll be glad to say our committee is
16 fabulous, I love it, and so is our staff that we work with.
17 So from that, I want to say thank you all, and I'll take any
18 questions.

19 Yes.

20 MS. FREUND: I had just one small question. In
21 your document you say, utilize the REPP program. Maybe you
22 want to spell it out what that is because I'm not sure
23 everybody knows, REPP.

24 MR. SCHLOEGEL: It's the Regional Export
25 Promotional Program. It was --

1 MS. FREUND: Oh, okay. So --

2 MR. SCHLOEGEL: -- it was rebranded from the
3 City/State Partners.

4 MS. FREUND: Okay.

5 MS. ATKINSON: But we can try to find it in the
6 document --

7 MS. FREUND: Okay.

8 MS. ATKINSON: -- before it's finalized.

9 MS. FULTON: Be glad to. It's changed, so I
10 didn't want to misspeak. Thank you, Jim. Any others?

11 MS. GREGOIRE: So -- well, thank you, Jenny, and
12 to the team, and the previous chair, Luis, thank you. And,
13 again, Mr. Chair, the dramatic improvements here, where the
14 Bank was kind of a sleepy, you know, asset to the country
15 and now the word is getting out --

16 MR. HOCHBERG: Uh-huh.

17 MS. GREGOIRE: -- new partnerships are being
18 formed -- I know you've been going to the National Governors
19 Association and trying to engage local governments, as well,
20 as they do their local economic development work and so on
21 -- in ways that's never been done before. The idea of a
22 customer survey came up a couple years ago now, acting like,
23 you know, any other kind of banking institution or business,
24 for that matter --

25 MR. HOCHBERG: Right.

1 MS. GREGOIRE: -- trying to get the feedback of
2 the very people that we're trying to serve. I just think
3 dramatic improvement has been made in this arena and credit
4 due to you and your leadership for being a good listener,
5 frankly, and not being defensive when, when the group has
6 brought forward these ideas and seeing it through. And the
7 team has been fabulous in taking it and moving it forward
8 and coming up with creative new ways, including the website
9 and the metrics, to make it possible. So thank you and
10 congrats on that.

11 MR. HOCHBERG: Well, thank you. You know, I think
12 that, you know, Erin added a -- which she'll maybe talk
13 about; I'm not sure it's part of her -- but we've added an
14 intergovernmental. So we're much more organized to really
15 work with governors, mayors, county executives, where,
16 frankly, a lot of the -- who have a bigger responsibility
17 for job creation --

18 MS. GREGOIRE: Right.

19 MR. HOCHBERG: -- often than members of Congress
20 did in terms of that outreach. And I think that the, when
21 Luis was on public engagement, you know, I -- the
22 Communications team has really embraced social media in a
23 much more fuller way, working with small business and doing
24 banner ads and, essentially, digital advertising. So we're
25 really -- that's a total transformation of how we reach

1 customers than just three, four, five years ago. So -- and
2 thank you for identifying that.

3 MS. GREGOIRE: Any comments, Luis?

4 MR. UBINAS: Having been part of this group a
5 couple of years ago, I would just say that it is astonishing
6 the progress that's been made. The key thing for me in
7 terms of the mission of this effort is that we have tens of
8 millions of people in this country who rely on the
9 Export-Import Bank and don't know it, tens of millions, and
10 if we can get 10 percent of those tens of millions to be
11 part of the Export-Import Bank community, then the Bank's
12 task of explaining itself would be vastly simpler, and the
13 progress that's been made in that aspirational goal is, is
14 astonishing in 36 months.

15 MS. GREGOIRE: Yeah. Good. Thank you. Does this
16 represent the will of the group?

17 UNIDENTIFIED SPEAKER: Yeah.

18 MS. GREGOIRE: Good. Then we submit this to you,
19 Mr. Chair.

20 MR. HOCHBERG: Thank you.

21 MS. GREGOIRE: And our next one was Jay, but
22 there's a debate among small business as to who's to
23 present. Each has pointed the finger to someone else, and
24 so I'll start with Don and see who he points to or --

25 MR. NELSON: Gabriel. Yeah, I'll go ahead and try

1 this on behalf of Kusum and Gabriel. I'd like to thank Fred
2 for his leadership at the Bank and Christine for her
3 support. I think one of the things for small business that
4 is incredibly important for us to export is having access to
5 the Export-Import Bank. I know our company couldn't have
6 exported without the Bank's support, and so supporting the
7 small-business is, is incredibly important.

8 We came up with 10 recommendations to the Bank.
9 One of them is, medium-term loan program is not as
10 competitive for small business as it could be. I think
11 Kusum has had some experience with this in her export. I
12 think she discussed with the small-business group this
13 morning on some things they could do to help make that more
14 competitive.

15 Another one is to develop a sub-\$500,000 loan
16 product for small businesses. Many small businesses need
17 support on multiple but smaller deals, and having a product
18 like that would be, would be helpful.

19 The third one is consider developing a master
20 guarantee to support supply chain exports, to help smaller
21 businesses tap into the supply chain of large deals, such as
22 Caterpillar and Boeing.

23 The fourth one is to cross-sell products to
24 existing customers. There are a lot of small businesses who
25 don't understand all of the different products within the

1 Bank. I think a lot of the products that small businesses
2 use, it's very limited because we're not familiar with
3 what's out there. I think for us on the small-business
4 committee, being involved in this Advisory Committee, have
5 learned a lot about the different products that are
6 available to us, and I think, you know, we're trying to take
7 advantage of these products, but if you look at all of the
8 thousands of small businesses throughout the country that
9 don't know about them, there's a huge opportunity for small
10 businesses to expand their exports if they're aware of these
11 other products.

12 The fifth one is the permanent budgeting for
13 digital marketing. It seems like that's one of the --
14 probably one of the biggest things that have driven
15 small-business growth, is the improvements that the Bank has
16 made with their digital marketing; I think the -- some of
17 the tweaks that have been made, I guess you'd call them,
18 that are working well. I think support for future funding
19 for, to continue the digital marketing is a key thing for
20 the Bank to continue to grow. I know that the budget has,
21 has improved. It seems like every year it gets better and
22 better, but I think it's something that needs to, at least
23 have a, maintained a budget so that they can continue to
24 grow that. If you guys want to jump in here anywhere, feel
25 free.

1 The sixth one is to enhance the EXIM 101 tools.
2 The current EXIM 101 video has good content, but it's not
3 real easy to find on the website. For small businesses it
4 seems like it would be nice if this was something that would
5 -- could get some real estate on the home page somehow. It
6 seems like with Congress's mandate to, to have 25 percent of
7 the Bank's business be to support small business, that
8 having a little real estate on the home page would be
9 justified.

10 Another, another item was to permit the
11 small-business committee to see some of the metrics on
12 small-business deals that have been applied for versus
13 closed, just to see the -- so we can see the success rate of
14 closing small-business deals.

15 The eighth one is to boost cross-agency
16 collaboration. It seems like if there was, like, the
17 Commerce Department, some of the other government agencies,
18 that that would help small-business export if there was more
19 cross-agency collaboration. And I don't know if that's done
20 through links of the website, but it seems like there would
21 be ways to improve that.

22 Number nine, specific marketing outreach needed
23 for junior bank relationship manager that are assigned to
24 small businesses. From, from our experience, it seems like
25 some of the relationship managers at some of the banks

1 aren't aware of EXIM Bank at all, and those that are aware
2 of it aren't well-versed on what products are available or
3 what product they should lead us to at the Bank. It seems
4 like they should clearly understand the EXIM products that
5 are different and distinct from the small-business
6 administration products.

7 Number 10 is to explore a plain-vanilla project
8 finance express, find out more, better things to provide a
9 framework. We discussed this this morning a little bit
10 about if we're going to do a deal that's with a sovereign
11 government, that we should have an understanding of how long
12 it would take to close that type of a deal. It seems right
13 now it could be four months, it could be a year and a half,
14 nobody really knows, and if we're doing a deal, it seems
15 like that we could lose a deal if it really drags out for a
16 year and a half. So it seems like this would be very
17 helpful if we had better understanding of timing.

18 Kusum or Gabriel, I know you have written notes,
19 so jump in there.

20 MS. KAVIA: Okay. So thank you, Don. You did a
21 great job on, you know, giving us that summary. Personally,
22 I really want to thank the leadership team here, the three
23 of you -- Fred, Christine, and Wanda -- for really listening
24 to small business. I think Don, Gabriel, and I represent
25 that small-business voice here today; however, our team was

1 comprised largely of other individuals that are not here.

2 But, Fred, last week you took time out of your
3 busy schedule to be there for our signing ceremony in New
4 York at the Africa Business Leader Summit. That meant a lot
5 to us, I mean, to get somebody of your caliber there. Even
6 it made -- it elevated us in front of our customers, and
7 cannot thank you enough for the friendship and just the
8 openness to you, your office, your staff.

9 Christine, I've learned so much from you just at
10 these meetings, the way you conduct and the way you ask
11 questions, and everything there.

12 Wanda, you've been there for the meetings that
13 have been happening outside of this room. I've had
14 customers from Nigeria that have come, and we have tapped on
15 Vice Chair's desk to say is she available to participate,
16 and she has made that available, and those meetings are
17 continuing.

18 My company works in a very diverse area of
19 sub-Saharan Africa, and it's difficult, it's very
20 challenging to bring about financing and access to capital.
21 So we totally rely on the EXIM Bank for supporting our
22 efforts in exporting, and 70 percent of what we do is
23 exporting.

24 With that said, I just want to comment on a couple
25 of things, Don, that you mentioned. One of the things is

1 the website. Today every small business is going to go to
2 the website to see what's available. Even as much as we
3 have these public forums and seminars, having a really good
4 robust website is really key, and we've seen that. We've
5 seen the EXIM website, the different logo, the look, how you
6 can get to it.

7 What we're suggesting is, is that make small
8 business front and center of that home page. I think that
9 small business, like ourselves, we're families. We have so
10 much things going on; we are time-starved. We want to be
11 able to go and click a link and be able to go and say,
12 here's the person you need to talk to, this is what's
13 available for you, and those tools to be readily available
14 there on the home page would be fantastic.

15 Secondly, it would be that -- I understand that
16 there used to be a client relationship manager or a position
17 that was, is no longer available. I think that that
18 position needs to be filled. This is to understand that the
19 small businesses that go through the portal, that go through
20 the programs, that get the funding, what worked, what didn't
21 work. To have those surveys, those evaluations is critical
22 in knowing what we're doing good and what we need to improve
23 on. So we're saying that as small businesses, please, let's
24 look at bringing in a client relationship person on board
25 that would be reaching out and doing those types of surveys.

1 Finally, the medium-term program, there are so
2 many things within the EXIM Bank that as small businesses
3 sometimes we're not aware of it. We have so many things
4 juggling in our heads when we come to these meetings, and
5 knowing about trade finance, project finance, direct loans,
6 working capital, I think all of those things, if there's a
7 very simple form that's available, again, it would give us a
8 checkpoint to see, if we don't fall in this category, maybe
9 we can use this program to accelerate our closing, and, and
10 those are some of the things that we've discussed with the
11 small-business team.

12 Jim Burrows is doing a fantastic job. Every time
13 I've met with his group, Sean and Tammy, I've learned so
14 much, and they're there to support us. So thank you very
15 much, Jim, for supporting the small-business.

16 And finally, a shout out to Rick Angiuoni and Ben
17 Todd of the Africa desk. Every time I've had a question,
18 they've been there, helping, and those are the things that
19 makes me want to go and share that with my local community,
20 local industry and partners, to say we need to get them
21 coming to EXIM Bank. Thank you.

22 MS. FELTON: Thank you.

23 MS. GREGOIRE: Please, Wanda.

24 MS. FELTON: I would like to just make one
25 additional comment here. It relates to Kusum's comments and

1 also to the report that was submitted by the environmental
2 and renewables committee. The Bank has three congressional
3 mandates aside from the broader mission to support U.S. jobs
4 through exports. They are small business, renewables, and
5 sub-Saharan Africa, and I think the purpose, Congress's
6 purpose in adding these specific mandates was that it
7 believed that there was a need or it warranted the
8 application of special attention and -- in order to, to
9 really make a difference. And two of these mandates, small
10 business and renewables, are formally represented on this
11 committee. The third, sub-Saharan Africa, is, has its own
12 separate advisory committee, which has not been active for
13 probably about three years now.

14 The chairman has been very, very active in
15 supporting sub-Saharan Africa and, and has, I believe,
16 invited you, Kusum, to participate on this committee, both
17 because you represent small-business exports but also
18 small-business activity in sub-Saharan Africa and bring a
19 perspective about how to, how to really prosecute that
20 business. And so, so there is some representation currently
21 at the Bank, but until we have a Board quorum, we will not
22 be able to reconstitute that committee.

23 And I'd just like to note that in reading the,
24 particularly reading the report from the environmental and
25 renewables committee, that there are a number of

1 recommendations that relate to strategy, resource
2 allocation, collaboration with other agencies, and the
3 adoption of metrics to measure progress that could be
4 applicable to and useful to the next Sub-Saharan Africa
5 Advisory Committee and very similar to some that were
6 developed by a prior committee. And so I'd just like to
7 make note of that, thank you for that, and recommend that if
8 there's some way that this -- that work can be forwarded in
9 the future when a new committee is constituted, that would
10 be a real value. Thank you.

11 MS. GREGOIRE: Uh-huh. Thank you. Are you
12 offering this by way of a suggestion that we amend these
13 recommendations to include that?

14 MS. FELTON: No. I was only just making an
15 observation. I don't know --

16 MS. GREGOIRE: Okay.

17 MS. FELTON: -- if there's a formal way to do
18 that. I would actually defer to the committee and the
19 chairman on that.

20 MS. GREGOIRE: Okay. Let's -- do you want to
21 think about that for a sec? Don and Gabriel, would you like
22 to --

23 MR. OJEDA: Yeah.

24 MS. GREGOIRE: -- comment, please?

25 MR. OJEDA: First and foremost, Fred, thank you

1 for inviting me to be on the Advisory Committee. I always
2 look forward with -- to come to the meetings. It was never
3 a chore. It was always a pleasure and meet you and all of
4 the other people in your staff and all of the speakers that
5 you invited; they were very enlightening.

6 As a small business, I'm hard to reach. It was
7 already mentioned, we are starved for time, but we're also
8 starved for people. We don't have the many departments or
9 staff people to do the different roles that are required in
10 a small business, and I just want to emphasize one of the
11 recommendations, to make digital marketing a permanent item
12 on your budget, and personally, it needs to be an increased
13 amount.

14 The EXIM Bank is probably in the forefront of
15 social media compared with other government agencies, but
16 it's probably behind where many private companies are
17 already. And while we're still trying to grasp what social
18 media is -- I don't understand LinkedIn and Facebook and
19 Twitter and Instagram -- the question is, you know, what's
20 going to be there in three years from today, and the Bank
21 needs to be in the forefront of those types of activities to
22 continue the promotion and to be able to reach small
23 businesses.

24 MS. GREGOIRE: Good. Don, any comments with
25 respect to -- oh, I'm sorry, Bob.

1 MR. PERCIASEPE: I thought you said Bob. I'm
2 sorry.

3 MS. GREGOIRE: Oh, no. I'm sorry. I meant -- if
4 I did, I apologize -- I meant Don. Any comments with
5 respect to what --

6 MR. NELSON: No. I think that would be great to
7 add that to our, our list of recommendations.

8 MS. GREGOIRE: So how about over lunch you
9 three --

10 THE REPORTER: Mic.

11 MS. GREGOIRE: Excuse me. Sorry. You three
12 get --

13 MR. PERCIASEPE: Dang.

14 MS. GREGOIRE: Pardon?

15 MR. PERCIASEPE: I said, dang.

16 MS. GREGOIRE: Dang.

17 MR. HOCHBERG: It wasn't on, so it didn't get
18 recorded.

19 MS. GREGOIRE: There you go. Will you make sure
20 of that, please? Will you three chat about it, because I
21 think it's a --

22 UNIDENTIFIED SPEAKER: Yes.

23 MS. GREGOIRE: -- very, very good suggestion that
24 we should think about incorporating in the recommendations.

25 MR. NELSON: Sure.

1 MS. GREGOIRE: Any other comments with respect to
2 this subcommittee report, you-all? So we'll hold on this,
3 take it up again this afternoon.

4 MR. HOCHBERG: Great.

5 MS. GREGOIRE: Again, I think really good
6 progress. The one thing, my personal observation on this,
7 not being a small-business person, is that you brought to
8 the Advisory Committee the best people that could
9 communicate what the needs, the wants are of small business
10 throughout the country, and I think you-all have done an
11 excellent job and can't thank you enough for helping the
12 Bank do a much better job in communicating and reaching and
13 understanding your needs and wants and making it easier and
14 more effective and more efficient in how they deal with
15 small business.

16 So, again, thank you, Mr. Chair --

17 MR. HOCHBERG: Thank you.

18 MS. GREGOIRE: -- for putting these people on here
19 who've come forward with great recommendations to advance
20 the work of the Bank in a very positive way for small
21 business and the country.

22 MR. HOCHBERG: Well, thank you. I mean, I sat in
23 on part of the small-business meeting, and these are really
24 all specific, actionable recommendations, and we need to --
25 and, you know, and I was there with Jim, and we had someone

1 from general counsel and Pam Bowers so that we can put these
2 to work.

3 You know, one of the key things, I think, came up,
4 Kusum and Don, is we got to give you a time frame so that
5 you understand that, and one of the things we've been
6 working on here, we haven't fully executed yet, and that is,
7 every 30 days communicate with our borrower or the exporter
8 so they know where the transaction is, what's the holdup.
9 And it frequently is not being held up. We're frequently
10 waiting for information, waiting for financials, waiting for
11 an environmental study, and you knowing that can also speak
12 to your buyer and move that along as well.

13 So I think these -- there are a lot of really good
14 recommendations, and, and I saw Tammy was there as well. So
15 I think we can do some good follow-up on this.

16 MS. GREGOIRE: Great. So we'll take it back up --

17 MR. NELSON: Okay.

18 MR. HOCHBERG: Yeah.

19 MS. GREGOIRE: -- this afternoon.

20 MR. NELSON: Sounds good.

21 MS. GREGOIRE: The last subcommittee is the
22 Competitiveness Report, the single biggest charge to us as
23 an Advisory Committee, and Caroline.

24 MS. FREUND: Thanks. Let me also reiterate my
25 thanks to Chairman Hochberg and Vice Chair Felton for

1 guiding the Bank in these really turbulent waters and times;
2 it's, it's been difficult, but you've done an amazing job,
3 and also to our chairperson, Governor Gregoire, both for
4 chairing the committee as well as being an integral part of
5 the competitiveness Advisory Committee team. I also want to
6 thank the rest of the group because, as someone who works
7 with export data on a daily basis, it's really nice to see
8 the faces behind that data. So now I have your faces in my
9 mind whenever I work with, with export data, especially the
10 small businesses, small-business data.

11 In terms of our report, I can be really brief
12 because it's a summary of what we spent so much time at the
13 last meeting, agreeing on the language and such in terms of
14 the recommendations we had in that introduction, if you
15 remember, our letter.

16 So the recommendations are first the data
17 collection and publication that we've emphasized before.
18 The only addition here is we'd really like to see more work
19 on the untied financing that has been rising, especially in
20 Asia, and is likely to rise a lot with China's new Belt and
21 Road initiative, et cetera. So more work on the untied
22 financing is -- was a new bit relative to our letter.

23 In renewable energy we again emphasized an
24 understanding of how more financing can be done in that
25 area, recognizing that the quorum issue is making it

1 difficult because some of those projects will obviously fall
2 in upwards of 10 million.

3 We again emphasized the supply chain issues and
4 getting better data on the firms behind the Boeings and
5 Caterpillars and GEs and such that are really the small
6 businesses that are effectively financed via those bigger
7 companies, and then on technology, how EXIM is using
8 technology.

9 And then, finally, we're very pleased, and the
10 last group we'd also like to thank is the EXIM team that has
11 really been a pleasure to work with, both in sharing
12 information, explaining the methodology, and being very open
13 and easily accessible to us, so gratitude to them and a
14 recommendation that it continues.

15 MS. GREGOIRE: Owen.

16 MR. HERRNSTADT: Yeah. I want to reiterate what
17 Caroline said, thanking you, Fred, and Wanda and, of course,
18 our leader of the Advisory Committee, the governor. I want
19 to give special emphasis to the two things -- two of the
20 many things that Caroline just mentioned. One is, and
21 that's mentioned in our recommendations, one is the
22 pervading threat of China's ECA, which is not transparent,
23 as we all know, and which is really poised to really flood
24 the world with exports that are not really subject to the
25 same competition the U.S. is. So that's one thing.

1 And then the second thing is another threat to, to
2 the Bank and to all the U.S. workers, which the Bank
3 supports through financing U.S. made goods, and that is, as
4 Caroline mentioned, the lack of a quorum. It's really quite
5 unforgivable that the work of the Bank has been waylaid at
6 all but in such a fashion, particularly after appropriations
7 was made, and it's hurting U.S. workers with respect to it
8 as well as U.S. manufacturers. And I will say this: It's
9 also pretty unforgivable to treat a loyal, dedicated staff
10 of public servants in terms of stymieing their work in
11 pursuing the Bank's function with respect to that.

12 The issue of suppliers, which we've talked about,
13 it is obviously critical to get them more involved, as our
14 small-business group/committee also mentioned. We, we want
15 the suppliers to be U.S.-based, and the Bank can help us do
16 that, and it can help us do that by supporting more
17 financial support for U.S. suppliers to keep work here in
18 the U.S. and thus creating a disincentive for some of the
19 prime contractors to use suppliers overseas on it. So with
20 that, thank you.

21 MS. GREGOIRE: Good. Any comments?

22 MR. HOCHBERG: I'll just jump in. I want to
23 really also acknowledge the trajectory we've made on the
24 Competitiveness Report, made it a much better tool, and I
25 want to echo what Owen said. I think that we're in a very

1 -- this is a very dangerous place where we are right now
2 because it's -- GE has been more public about it -- but
3 companies are -- and small-businesses started talking to me
4 about moving offshore because they can't compete without an
5 export credit agency, and people get lost, whether it's an
6 authorization or a Board quorum or then confirmation of a
7 new Board. As far as they're concerned, they don't want to
8 keep reading about it. They want to read about it when a
9 deal is done. They don't want to keep reading about it in a
10 legislative environment, and it's a problem.

11 I've spent a lot of this year on the road, both
12 here and abroad, trying to push back against the view that a
13 lot of our -- a lot of our customers are really looking
14 earnestly elsewhere, and it's very dangerous. And I think,
15 Owen, you -- if a large company moves manufacturing, the
16 supply chain goes with them, because frequently you'll see
17 there's a supply chain -- I mean, look at Detroit, you know,
18 there's a lot of -- the supply chain is around the auto
19 industry. In Charlotte, North Carolina, a lot of the power
20 industry is around, in that Charlotte area. So this is a
21 real threat, and hopefully we can make this -- people
22 realize this is not just a political issue. This is not
23 just left and right. This is really about jobs in our
24 country and not shipping more jobs and more companies
25 overseas.

1 So I appreciate your support on this, and I think,
2 I'm hopeful we can -- the CR is, we're going to hear about
3 that shortly, but I mean, we, we got to make sure we get
4 this addressed in December.

5 MS. GREGOIRE: Owen.

6 MR. HERRNSTADT: Yeah. Fred, I don't think you
7 could have stated it better. In Washington, D.C., we get
8 caught up in terms like reauthorization and appropriation
9 and quorums and stuff like that. For the 300 or so workers
10 where we represented them in Wisconsin that are losing their
11 jobs because of the delay in financing for the Bank, it
12 really just doesn't make any difference. They have to put
13 food on the table; they have to somehow figure out how
14 they're going to, how they're going to survive, and it's not
15 only heartbreaking but it's also devastating to the local
16 community, and it hurts our, our national economy and our
17 security.

18 MR. HOCHBERG: Yeah.

19 MS. GREGOIRE: Well, I'll chime in with one thing.
20 Between the issues that we're facing here that we can't seem
21 to address in a timely way, let alone get the job done, and
22 the immigration issues, I can tell you from my state, I'm
23 seeing companies get ready to leave. They're opening
24 offices elsewhere around the world because they can't afford
25 not to, and those are good, our jobs. Those are our jobs

1 that through the inaction of Congress we're losing, and I
2 just, I just think it's appalling, to be honest with you,
3 and yet I watch with envy some of the policies that are
4 present in other countries that welcome with open arms the
5 kind of solutions to this. It could be done in a nanosecond
6 if we could simply get Congress to move forward. And what's
7 really frustrating is, when we finally get a vote, the vote
8 is overwhelmingly bipartisan --

9 MR. HOCHBERG: Right.

10 MS. GREGOIRE: -- overwhelmingly bipartisan. So
11 this isn't a partisan issue.

12 Okay. Now that I've said that --

13 MR. HOCHBERG: I'll just add a bit of levity. I
14 was with the Spanish ambassador this morning at a breakfast,
15 and they have not been able to form a government in Spain
16 for, I think, going on 12 months. They keep -- so there is
17 no legislature; there's no government; they can't appoint or
18 change ambassadors. So we are -- we have some advantages,
19 but I don't want to rest on our laurels, but having met one
20 or two from overseas this morning, there are challenges they
21 have as well.

22 MR. UBINAS: Chairman, I would just say, having
23 come back from Spain, an extended stay in Spain recently, it
24 makes for a wonderful country.

25 MR. HOCHBERG: That's true. Hear! Hear!

1 MS. GREGOIRE: So am I -- you know, I'd be curious
2 on this report, when -- the number one mandate to the
3 Advisory Committee is the letter that we offer up --

4 MR. HOCHBERG: Right.

5 MS. GREGOIRE: -- as a part of the Competitiveness
6 Report, and what I have seen is this group step off the
7 curb, where heretofore I have not seen that --

8 MR. HOCHBERG: Right.

9 MS. GREGOIRE: -- and directly communicate real
10 issues about what's facing, as Owen put it and you put it,
11 the people, the companies, the environmental community, the
12 citizens across the country in a way that I think really
13 puts before Congress what's happening, and I couldn't be
14 more proud of the candor and respect with which that's been
15 communicated. Caroline and Owen have always been committed
16 to let's make it direct and honest but let us also be very
17 respectful of how we communicate --

18 MR. HOCHBERG: Right.

19 MS. GREGOIRE: -- a model of what I think is how
20 it should be done. So is that your --

21 MR. HOCHBERG: Yeah.

22 MS. GREGOIRE: -- takeaway? Yeah. Any amendments
23 or suggestions to this Advisory Committee subcommittee
24 report?

25 Then it is communicated to you, my friend. Can I

1 ask a question, Erin?

2 MS. GULICK: Uh-huh.

3 MS. GREGOIRE: I caught you.

4 MR. HOCHBERG: You weren't on your iPhone, were
5 you?

6 MS. GREGOIRE: No. Is there a disadvantage if we
7 hold you until this afternoon?

8 MS. GULICK: No, that's fine.

9 MS. GREGOIRE: Because, because we have a long
10 time until the break at 1:20 and I wouldn't want each of us
11 to get up out of necessity when we have our guests present,
12 if you know what I mean. So with the will of everyone, can
13 we take a break until our guest speaker will arrive at --
14 can we be back at a little before 12:30? Okay.

15 MR. HOCHBERG: Yeah.

16 MS. GREGOIRE: So that gives you 15 minutes,
17 you-all.

18 MR. HOCHBERG: Great. Very --

19 MR. BEVENS: And there's some, there's some fruit
20 over here, if you guys are a little --

21 MR. HOCHBERG: Oh, good. Thank you.

22 MS. GREGOIRE: Thank you.

23 (Whereupon, a brief recess was taken.)

24 MR. HOCHBERG: It looks like Mike Froman is
25 running for office. I like -- was wrecking the room in the

1 appropriate way --

2 MS. GREGOIRE: Good job.

3 MR. HOCHBERG: -- and I know that being pro-trade
4 is an easy ticket to an electoral victory.

5 MR. FROMAN: Unusual.

6 MR. HOCHBERG: Unusual, unusual path. Mike Froman
7 is our U.S. ambassador, United States trade representative.
8 Actually, Mike and I had a chance, we met. We both had a
9 relationship with The New School in New York. That was how
10 we very, very first met. We probably met in the Clinton
11 years, but that might have been a, more of a drive-by. So
12 we've known each other for 20-plus years.

13 Initially Mike was our point of contact in the
14 White House, sort of the nexus between the National Security
15 Agency and the National Economic Council, where a lot of our
16 issues fell. So we, EXIM, and I'm very happy, we've had a
17 very long and fruitful relationship with Mike in his former
18 job and his current.

19 And I thought I would add, because it's, it's in
20 the world that Michael Froman operates, we recently hosted,
21 actually in this room, virtually with the exact
22 configuration, the G-7 of export credit agencies. We meet
23 once a year in the fall. It's happened since the financial
24 crisis, and interesting, I'd just, for Mike and for the rest
25 of us, I mean, they are all growing their export credit

1 agencies. They are all keen on growing their exports, and I
2 think they all acknowledge fierce global competition, which
3 I think is something that Mike can probably talk about,
4 you've seen firsthand in your role.

5 So thank you for joining us and, also, just a
6 particular shout-out, acknowledging the WTO case regarding
7 Airbus launch support, that a victory was handed down, I
8 think it was just -- was it --

9 MR. FROMAN: Last week.

10 MR. HOCHBERG: Last week?

11 MS. GREGOIRE: Yeah.

12 MR. HOCHBERG: Which was remarkable, and I know
13 it's a long process but was still a very sweet victory. So
14 with that, let me hand over the mic to Mike Froman.

15 MR. FROMAN: Well, thanks very much, Fred, thanks
16 for having me and good to see all of you again. I know I'm
17 preaching to the choir when it comes to talking about how to
18 increase exports, and we've got a great partnership between
19 USTR and EXIM and the rest of the economic and non-economic
20 agencies, as we are all working together to try and do what
21 we can to, to expand exports and export-related jobs here in
22 the U.S.

23 I thought maybe I'd run down a bit of what we're
24 working on in terms of the different negotiations and
25 initiatives with Congress, as well as on enforcement, which,

1 as you just mentioned, Fred, has an impact as well on our
2 export-related industries.

3 You know, clearly our, our top priority right now
4 is getting the Trans-Pacific Partnership through, through
5 Congress. It was concluded almost a year ago, early
6 October. It's been out on the web since early November.
7 We've been spending a lot of time with members of Congress,
8 also around the country, talking with small businesses, the
9 agricultural community, services, technology companies,
10 et cetera, to, to talk about the benefits in there of -- in
11 the agreement for our exports-related businesses.

12 You all know it eliminates 18,000 taxes on U.S.
13 exports. That's the number of tariffs that are currently
14 applied among the TPP countries on our products being
15 exported that will either be eliminated or be greatly
16 reduced. It covers manufactured goods, agricultural goods,
17 also opens services markets.

18 Very importantly, it has, beyond even the market
19 access, it's got a set of rules that we believe are
20 extremely important to maintaining what Fred was just
21 referring to, which is really our competitiveness vis-à-vis
22 the rest of the world when it comes to exports, so whether
23 it's raising labor and environmental standards in other
24 countries and making sure they're fully enforceable to being
25 the first trade agreement to really take on fully the issue

1 of government-owned corporations.

2 And when government-owned corporations are
3 operating in the commercial space and competing against our
4 private firms, if they do so in a way that is unfair, they
5 benefit from subsidies or other benefits and undermine
6 competition with our private firms, we'll now have a trade
7 action against that country, whether that happens in our
8 country, their country, or a third country. So you can
9 imagine the state-owned enterprise either keeping our
10 products out of their own country or coming to our country
11 and undermining one of our firms, in which case our trade
12 remedy laws wouldn't necessarily be available to us, we'll
13 now have the ability to hold their government accountable
14 under TPP.

15 Very importantly, again, on the digital economy,
16 first trade agreement to really take on issues around the
17 free flow of data, making sure that companies can locate
18 their infrastructure where it makes sense to and don't have
19 to relocate to a country in order to serve that market, make
20 sure they don't have to turn over source code or use a
21 particular type of encryption or any of the other challenges
22 that our technology companies are facing around the world as
23 we see rising digital protectionism, not just in China and
24 Russia, but sometimes in a number of other countries
25 including sometimes in Europe.

1 So it's very important there, and it's not just
2 for the Internet companies, I should say, because
3 increasingly, every manufacturing company is relying on data
4 and the free flow of data, whether it's aircraft engines
5 that send data across borders for maintenance purposes and
6 for servicing purposes or, or the amount of data that goes
7 into producing a car. And so increasingly, those issues
8 around the digital economy are affecting the broader economy
9 and not just, not just the technology community.

10 There's a great deal at stake in getting this
11 done. You know, we're not the only country out there
12 negotiating trade agreements. In fact, as we speak, China
13 is working to complete its version of TPP, called RCEP, 16
14 countries, ranging from India to Japan, and the risk is, if
15 RCEP moves forward and TPP doesn't, that our products will
16 actually be excluded from these fast-growing markets, that
17 they will face preferential tariff concessions in these
18 fast-growing markets and our exports will actually see not
19 only not the opportunity that TPP presents but will actually
20 see a declining market share. And, as well, RCEP doesn't
21 have strong intellectual property rights protections. It
22 doesn't have disciplines on state-owned enterprises. It
23 doesn't deal with the issues of the digital economy. It
24 doesn't raise labor and environmental standards. And our
25 view is, from the perspective of American workers and

1 farmers and ranchers and companies, it's better to operate,
2 and a more competitive environment to operate, in which the
3 rules of the road reflect our interests and our values than
4 deferring that role to, to others.

5 So there's a lot at stake economically. There's a
6 lot at stake strategically, as we've been hearing from
7 leaders in the region, from Prime Minister Abe to Prime
8 Minister Key to Prime Minister Lee and others, who've all
9 noted that the position of the U.S. in the region as a
10 leader on trade and other issues is very much at stake, and
11 our credibility is at stake in whether or not we get TPP
12 done.

13 So I know, I know all of you are focused on
14 increasing exports and the well-paying jobs that exports
15 support. I know we don't completely see eye to eye on TPP,
16 all of us, but I think we can all agree we need to do what
17 we can to level the playing field for our workers and our
18 firms and to make sure that we have access to some of the
19 fastest-growing markets in the world.

20 I'll mention three other areas where we're
21 continuing to negotiate: environmental goods. We have a
22 group of countries representing about 90 percent of the
23 environmental goods producers in the world, working to
24 eliminate tariffs on about a trillion dollars of
25 environmental goods. We export about \$130 billion right now

1 environmental goods a year, and we think this is important,
2 both for -- both economically but also in terms of dealing
3 with environmental challenges, that we eliminate these
4 barriers to trade and position our companies to be leaders
5 in the area of green technology and green goods.

6 We're working on a services agreement, again about
7 -- covering about 70 percent of the services market of the
8 world, and we're continuing to negotiate with the European
9 Union on the Transatlantic Trade and Investment Partnership,
10 and we'll actually have another round, I believe, next week
11 in New York to advance those discussions as well.

12 The last thing I would say goes to the enforcement
13 issue that Fred mentioned up front. We've now brought 23
14 cases at the WTO, the most of any country. Fourteen of
15 those cases had been brought against China. We've won every
16 case that has been brought, to conclusion at the WTO,
17 including, as Fred just mentioned, the, the Airbus
18 compliance case last week, which was a very significant win
19 for Boeing and for dealing with unfair subsidies that have
20 been going to Airbus.

21 Last week we also brought, or I guess it was now
22 two weeks ago, we brought a very important case against
23 China, having to do with agricultural subsidies, which
24 affect our rice, wheat, and corn producers, a very important
25 case in terms of taking on agricultural subsidies that are,

1 been going up in major emerging economies around the world
2 and distorting -- and distorting trade.

3 We're very focused on continuing that effort, to
4 bring cases and to make sure that we are not only
5 negotiating strong trade agreements but doing everything we
6 can to enforce our trade rights under those agreements.

7 Fred, I mean, I'll stop there and happy to, happy
8 to take questions.

9 MS. GREGOIRE: So may I start, Mr. Ambassador?

10 MR. FROMAN: Please.

11 MS. GREGOIRE: Can you tell us what the path
12 forward is with respect to the WTO ruling on the Airbus
13 subsidy?

14 MR. FROMAN: Well, we will likely be moving to
15 have the issue raised at what they call the dispute
16 settlement body. Europe has the ability to appeal that
17 decision. I assume they will, but we have not heard that,
18 and we're going to continue to pursue that case.

19 As you know, there are other cases out there,
20 including mirror cases against, against Boeing, but we feel
21 very good about where we're positioned, and, and I think
22 that so far the WTO, I think, has found very strongly in our
23 favor on a relative basis. So we're going to continue to
24 pursue this.

25 MS. GREGOIRE: Okay. Comments? Questions?

1 Celeste.

2 MS. DRAKE: Good to see you here in a different
3 forum, Mr. Ambassador, and I want to start off by thanking
4 the USTR for working with Department of State and Department
5 of Labor last week with the AGOA forum, and I think it was
6 probably, you know, good for all of the relationships to
7 hear, to have USTR be there and hear us working with our
8 brothers and sisters in Africa, that we're not just trying
9 to increase exports to Africa but also imports from Africa
10 that will help create jobs for our brothers and sisters
11 there. So thank you very much for that.

12 And then my question specifically is about the,
13 the currency issue, and you know, as you know, 90 percent of
14 all U.S. exports to TPP nations right now face zero applied
15 tariffs. Of the remaining 10 percent, five percent face
16 tariffs of five percent or less and only five percent face
17 larger tariffs. And what we saw after NAFTA was that
18 because we didn't have any rules about currency
19 misalignment, a single devaluation really wiped out the
20 level playing field that NAFTA was trying to accomplish, and
21 given that, the TPP itself doesn't have any sanctions for,
22 for currency misalignment. Can you talk about what USTR is
23 doing to try and address that issue, because it similarly
24 could wipe out any of the potential benefits of the TPP?

25 MR. FROMAN: Sure. First, on the AGOA forum,

1 thank you for that. I should have mentioned that. We had
2 our annual meeting last year, or last -- this week and last
3 week, and building upon a meeting that we chaired last year
4 in Gabon, the first-ever labor and trade gathering, we
5 pursued a first-ever ministerial last week with Tom Perez,
6 Secretary Perez, which I think set us off on a very good
7 start. So I think it was well received on the continent, as
8 well, as an important part of making sure that there's
9 inclusive growth in Africa and that we're talking about
10 workers' rights as well as other issues.

11 On the currency front, as you know, TPP is the
12 first time we have an arrangement agreed to about currency
13 among the 12 trading partners. So no other trade
14 arrangement has this. The finance authorities have agreed
15 on what appropriate exchange rate policies are, drawing from
16 the IMF and the G-7. They've agreed to a series of
17 transparency measures. So for the first time, in certain
18 cases, we will now have information about when central banks
19 are intervening, how they're intervening, to what degree
20 they're intervening in markets, and then it's got an
21 accountability mechanism, where the finance authorities will
22 hold each other accountable against those criteria.

23 What it doesn't have, as you know, it doesn't end
24 at the end of the day in trade sanctions, and the reason why
25 is because what we consider to be currency manipulation,

1 other countries look at our monetary policy and say
2 quantitative easing, has an effect on the relative value of
3 the dollar, and we would never subject the Federal Reserve
4 or our monetary policy to trade sanctions, and no other
5 country would either. But it is the first time that we have
6 an agreement among countries to address the currency issue
7 among our group of trading partners, and it goes into
8 effect, of course, only if TPP goes into effect, and so
9 that's another important reason why -- another important
10 innovation that TPP has allowed us to pursue that we think
11 is important.

12 The other thing I would add is that in the context
13 of other legislation last year, the Customs bill and some of
14 the other legislation that went through Congress, Congress
15 gave the administration, the Treasury Department some
16 additional tools on currency, which they'll now be able to
17 use to, again, to hold countries' feet to the fire to ensure
18 that they're not manipulating their currency.

19 So we believe that between these two, these two
20 prongs, the mechanism we have agreed to among TPP parties
21 and the additional authorities that Congress has given the
22 Treasury Department, that we are, we have more tools at our
23 disposal now to deal with this question.

24 MS. GREGOIRE: Other questions, you-all? Gabriel.

25 MR. OJEDA: Good morning. Two questions -- number

1 one, how many other countries have already approved within
2 their government TPP, and when is the deadline for approval
3 for the, for the U.S.? That's one question.

4 Second question is, you know, in the last two
5 years, we've seen a lot of negative feelings towards trade
6 and trade agreements, both from the current candidate from
7 the Republican Party and some of the people that were in the
8 Democratic Party. Do you have or can you provide, like, the
9 five things that make the TPP a better trade agreement? I
10 mean, I, I engage with government officials. I need the
11 idiot's guide to understanding why TPP is better?

12 MR. FROMAN: Well, thank you. First of all, on
13 the TPP approval process, each country, of course, has its
14 own domestic process that it's going through, and each of
15 them are at a different stage in that process. So some
16 countries have already ratified the agreement and are now
17 going through the process of getting -- they're implementing
18 legislation drafted or approved by their, their legislative
19 branches. Others are having hearings or going through their
20 committee process in their respective Congresses. They are
21 all working with the goal of getting it done this year or
22 early next year, is the report that we've gotten from, from
23 most of our TPP partners.

24 In terms of the U.S. deadline, in the agreement
25 the goal is to have all 12 countries be able to join

1 together within two years of when it's been signed. So it
2 was signed in February of this year, so it would mean by
3 February of 2018, and there's a lot of work to be done
4 between now and then, both the ratification, the changes of
5 legislation or, or, or policies in those countries that have
6 those sorts of changes that they need to make, and then we
7 have to go through a certification process ourselves to make
8 sure other countries have met all of their obligations
9 before we certify that it's ready to come, to come into
10 effect, and so we've got those various steps to, various
11 steps to go through. The President has made clear that he
12 is very much focused on getting it approved this year so
13 that we can begin to engage in those other steps, including
14 certifying that other countries have met all of their, all
15 of their obligations.

16 I think in terms of the trade debate, first, let
17 me say, I think, you know, there's clearly a lot of, of
18 concern and uncertainty and sometimes anger out there,
19 which, I think in many respects, is grounded in quite
20 understandable and legitimate concerns, whether it's wage
21 stagnation over the last 15 years or increased income
22 inequality that we've seen in this country and elsewhere.
23 Now, you know, we know that we are manufacturing more
24 product in the United States right now than ever before in
25 our history. We're doing so with fewer workers, and as

1 economists will tell you, that's largely the effect of, of
2 automation, but whether it's automation or globalization,
3 you don't get to vote on those things, and as a result,
4 trade agreements and trade policy becomes a bit of a
5 scapegoat and a bit of a focus for otherwise quite
6 understandable economic concerns.

7 Our perspective is trade agreements is in fact how
8 you shape globalization, how you make the global economy
9 work better for American firms and American workers, you
10 know, by making sure, for example, that we do have access to
11 the fastest-growing markets in the world. You know, our,
12 our tariff on autos is two and a half percent. Vietnam's
13 tariff on autos is 70 percent. You know, Vietnam, or
14 Malaysia's is 30 percent, plus a whole raft of nontariff
15 barriers. If we want to be able to make autos here and
16 export them to countries that have growing middle classes
17 that are growing fast, we need to tear down those barriers
18 and, at the same time, raise standards in those countries,
19 labor and environmental standards, for example, so that our
20 workers can compete on a more fair and level playing field.

21 That's a long way of getting to your question,
22 which is what are the five distinguishing features of TPP
23 that in many respects help address these underlying
24 concerns. I think one is, very importantly, the labor and
25 environmental provisions, which are the strongest of any

1 trade agreement and are fully enforceable just like any
2 other provision in the agreement. And when Senator Obama
3 was running for President and called for the renegotiation
4 of NAFTA, he was very clear what he meant was making sure
5 labor and environment were treated as seriously as any other
6 issue, and that's what we've done through TPP. And so TPP
7 is the renegotiation of NAFTA that some have called for.

8 I think dealing with these new issues that are
9 affecting the competitive landscape, like the role of
10 government-owned corporations in other countries that can
11 undermine our manufacturing companies, TPP is the first
12 agreement to take that on; issues around the digital economy
13 that really affects the whole economy and especially
14 Small- and medium-sized businesses.

15 If you're a small- or medium-sized business in the
16 U.S., you probably don't have an extensive distribution
17 network of salespeople all over the world. You're engaging
18 in international trade through e-commerce, and when you're
19 engaging in e-commerce, you're using telecom services,
20 software services, electronic payment services, express
21 delivery services, you're counting on the fact that you can
22 send data around the world. And we take for granted that we
23 can get on our iPhones, we can get on our laptops, that we
24 can communicate with anybody all over the world, we can get
25 access to news and information and analysis, but at a time

1 when countries are considering and are putting up barriers
2 around the Internet, putting up walls, calling for national
3 Internets, national clouds, we shouldn't take that for
4 granted, and if we want to make sure we're creating these
5 opportunities for our small- and medium-sized businesses,
6 TPP helps do that.

7 So those are some of the ways: digital economy,
8 state-owned enterprises, labor, environment, intellectual
9 property rights; you know, got 40 million Americans who owe
10 their jobs to intellectual property-intensive industries.
11 We are a knowledge economy. We want to make sure that, that
12 we are making sure that we are promoting innovation and
13 access to the fruits of that innovation, and TPP very much
14 does that as well.

15 MS. GREGOIRE: Other questions? Caroline.

16 MS. FREUND: Thanks. I'm Caroline Freund from the
17 Peterson Institute, and I just wanted, if you are interested
18 in TPP, to point out that we did kind of a summary of the
19 agreement in more layman's terms if you can't read what the
20 lawyers wrote in a much longer document. So take a look. I
21 think it can answer some of those, those questions.

22 I also want to thank your office for immediately
23 putting up all the tariff data online -- I'm always talking
24 about data here -- but it enabled us to look at tariffs and
25 just point out, in part, in response to what Celeste said,

1 that the liberalization of the TPP partners in the agreement
2 is much greater than anything the U.S. is doing because our
3 tariffs are already so low. So, so we're really getting
4 market access without, you know, any threat to, to our
5 industries, or our import competing into industries.

6 Two questions, one on TPP -- you mentioned that
7 RCEP could be the way forward for China. Do you also see
8 the Belt and Road initiative as, as China's kind of path
9 forward, because they're throwing a lot of money at new
10 trade routes and I imagine that even in building the
11 infrastructure, that will bring a lot more Chinese exports,
12 Chinese workers and such; so it really becomes, becomes
13 their Asia. And so I think TPP not only balances against
14 RCEP but also against Belt and Road, and I was curious about
15 your thoughts on that?

16 And then my other question is on TTIP, and there's
17 been a lot of pushback in Europe and some, some comments
18 that we need a pause and how that's moving forward and what
19 you think is close to completion in, in that agreement and
20 the way forward? Thanks.

21 MR. FROMAN: Well, first of all, Caroline slightly
22 underplays the Peterson's analysis of, of TPP. It's
23 probably the most thorough analysis. It's gone chapter by
24 chapter, including what's been difficult to model, which are
25 a lot of the, the rules chapters, services chapters, and the

1 like. So it's probably the most comprehensive look at, at
2 TPP. I do commend it.

3 You know, I think you're absolutely right. China,
4 China has a regional strategy and it's executing on it, and
5 it includes the One Belt, One Road initiative, the Silk Road
6 Fund, the Asia Infrastructure Bank. It has a particular
7 approach to the South and East China Seas and RCEP, and it
8 is going step by step and implementing it, and the question
9 is whether we are going to execute on our regional strategy.
10 And our partners in the region very much want us to, and
11 they see TPP both as an economic but very much as a
12 strategic imperative in terms of the U.S. being engaged in
13 the region and being part of their lives.

14 All the countries in the region, including
15 ourselves, need a positive and constructive relationship
16 with China, but the more China exerts itself, the more our
17 partners want us to be involved there as well, not to
18 contain China, but so that they can diversify their
19 partnerships, they can diversify their markets. And that's
20 why you've heard from so many leaders in the region on just
21 how important TPP is from their perspective from a strategic
22 point of view and why you've heard from some of our national
23 security leaders, like Secretary Carter, who, you know, said
24 famously that TPP was as strategically important to him as
25 another aircraft carrier battle group, precisely because it

1 demonstrates that not only are we a Pacific power, as we
2 always have been, but we are very much committed to playing
3 our role as a Pacific power in showing leadership and
4 engagement with our closest allies and partners out there.

5 MS. GREGOIRE: Owen.

6 MR. HERRNSTADT: Yeah. Thank you, Mr. Ambassador,
7 for your --

8 MR. BEVENS: Excuse me. Ambassador Froman, do you
9 have time for one question? It's 1 o'clock.

10 MR. FROMAN: One quick one, Owen.

11 MR. HERRNSTADT: I just -- we mentioned the
12 Peterson Institute. I'd encourage people to take a look at
13 the report filed by the Labor Advisory Committee on TPP,
14 which itself is, we believe, is the most comprehensive
15 report, I think, stating critical reasons for it, and I
16 think and I hope -- I think you know this, Mr. Ambassador --
17 but that when we criticize TPP, we're not saying no to trade
18 agreements and we're not saying no to globalization -- I
19 think that was a debate that occurred almost 20 years ago in
20 Seattle -- but what we are saying is, is that we want to see
21 a more fair trade agreement, one that addresses concerns
22 that many NGOs and environmental groups and, of course,
23 labor organizations have addressed over the years.

24 MR. FROMAN: Well, thank you, and I, first of all,
25 I thank Owen and Celeste and their bosses for being part of

1 our advisory committee process, for the input that they
2 provided. There are 23 labor unions that are part of our
3 Labor Advisory Committee, and they all have liaisons, like
4 Celeste and Owen, who have access and have given us advice
5 throughout the negotiation.

6 You know, the one thing I, I -- the one thing I
7 know is, when we look around this region, you know, there
8 are countries, there are low-wage countries, there are
9 countries that have poor labor conditions. I know with TPP
10 we will improve those labor conditions, and I know that
11 defeating TPP will do nothing to improve those labor
12 conditions, whether it's the right to organize in Vietnam or
13 dealing with human trafficking in Malaysia or dealing with
14 the enforceability of ILO standards in Mexico.

15 Those are all things that have been accomplished
16 because of TPP, and if we can get TPP passed, when we get
17 TPP passed, we'll have the ability to enforce those
18 obligations including through the imposition of trade
19 sanctions. That's not a tool that we have now, and so if we
20 do care about improving workers' rights in these countries,
21 both for its own sake and as an important part of leveling
22 the playing field for our workers, then TPP gives us a very
23 much, a critical path towards doing so. Thanks for having
24 me --

25 MS. GREGOIRE: Thank you, Mr. Ambassador --

1 MR. FROMAN: -- very much appreciate it.

2 MS. GREGOIRE: -- very much, appreciate you
3 spending your time with us.

4 MR. HOCHBERG: Thank you. Thank you.

5 MS. GREGOIRE: Thank you.

6 MR. HOCHBERG: Our next speaker, I see, is right
7 ready to go, ready to launch. We are fortunate today that
8 Dave Thompson, who is the CEO of Orbital Sciences, is going
9 to share some thoughts with us. I got a chance to first go
10 out to see Orbital, it was a day of one of those great
11 blizzards, and I was sitting in their office, having a tour,
12 and we -- it started to snow, and it looked like it was, you
13 know, flakes looked a little thick, but by the time we drove
14 back to Washington, the government had shut down, and it was
15 a very, a very fast snowfall, and that was several years
16 ago.

17 We have -- I think my records show we've done
18 about \$600 million dollars' worth of financings of Orbital
19 satellites. This is a highly, highly competitive area of
20 U.S. exports -- aerospace, in general; but satellites, in
21 particular. They're really manufactured here by four
22 companies and in France, and so not, not exactly the way
23 Boeing and Airbus, but -- because we have four competitors
24 here -- but essentially, these two countries, you could
25 probably tell us, probably what percentage of satellites

1 between U.S. and France?

2 MR. THOMPSON: Between the two, Fred? Ninety-plus
3 percent.

4 MR. HOCHBERG: Right. So I wanted Dave to share
5 some thoughts, and then I have some questions, partly about
6 our role in technology and large capital goods. We've often
7 had a number of small businesses. So with that, let me turn
8 it over to Dave Thompson.

9 MR. THOMPSON: Okay. Well, thank you, Fred.
10 Madam Chair and members of the Advisory Committee, good
11 afternoon and thank you for inviting me to spend a little
12 time with you today. I thought I would, I would structure
13 my remarks in the form of a very brief case study of a
14 sector of the U.S. economy which has benefited from a close
15 partnership with the EXIM Bank, particularly over the last
16 six or seven years. So it's been a, it been a success
17 story, but it's also one that in recent months has been
18 imperiled for a variety of reasons, not the least of which
19 has been the fact that EXIM has been sidelined from
20 providing export credit assistance where that is imperative
21 for U.S. satellite builders to compete with our, our
22 international peers.

23 Let me start with just a very brief background on
24 my company. Orbital ATK is an aerospace and defense
25 manufacturer that last year generated about \$4 and a half

1 billion in annual revenue. We employ about 12,000 people
2 across the country, about a third of whom, roughly 4,000,
3 are engineers and scientists. We're headquartered not too
4 far from here, out in Northern Virginia, but we have
5 operations in seven or eight other states across the
6 country.

7 About 75 percent of our annual sales at present
8 are with commercial and government customers in the U.S.,
9 but about 25 percent are export sales to businesses and
10 governments in Europe, Asia, South America, and the Middle
11 East and North African region. And within our set of
12 businesses, a little less than 30 percent, about a billion
13 and a quarter dollars last year in revenue, resulted from
14 the development and manufacturing of a variety of different
15 kinds of satellites, and this is the area where the EXIM
16 Bank has, has played a very important role in our business
17 and in, and in the businesses of our colleagues in this area
18 in the U.S.

19 Perhaps a little overview of the satellite market
20 would be helpful. Some facts and figures to begin with --
21 we're approaching the 60th anniversary of, about this time
22 next year, the launch of the first satellite, and over that
23 six-decade period, since the late 1950s, about 7,500
24 satellites have been built and placed in space by a variety
25 of countries. Today about 1200 of those satellites are

1 fully operational. A little less than half are commercial
2 satellites, and the other slightly more than half are
3 government satellites.

4 On the commercial side, satellites are used to
5 distribute directly to consumers TV and radio broadcast in
6 the U.S. and almost all countries, in one form or another,
7 around the world now. They're also used to support data and
8 voice communications in business-to-business markets and in
9 collecting and distributing imagery and other remotely
10 sensed data about the earth. And when you put all of that
11 together, the operators of commercial satellites last year
12 generated about \$130 billion in annual revenue with about 80
13 percent of that being in sales directly to consumers and the
14 other 20 percent to, to businesses. That's not the whole
15 story.

16 Government agencies are also major operators of
17 satellite systems for scientific programs, for weather,
18 climate monitoring, land imaging, for positioning and
19 navigation and timing, and for a variety of defense
20 purposes. And when you aggregate all those things together,
21 national governments around the world last year invested
22 about \$75 billion in their respective space programs with
23 the U.S. dominating that, that area with some 60 percent of
24 the total being invested by civilian and national security
25 agencies here at home.

1 Our satellite business is a, is a subset of those
2 larger, those larger activities. We design and build, on
3 average, eight or 10 small- and medium-class satellites
4 every year, usually about a third of these for commercial
5 operators, almost all of whom are based someplace other than
6 the United States, with the other two-thirds being sold to
7 government agencies, with most of those being right here at
8 home.

9 The average price of one of our satellites is
10 about \$100 million. It takes about two years to design,
11 build, and test one of these products, and during that time,
12 we employ, depending on the satellite, between 200 and 250
13 people over that, over that cycle.

14 We also build various subsystems and components
15 that we provide to other satellite OEMs, mostly in the U.S.
16 These range from carbon composite structures and propellant
17 tanks to solar power systems and a variety of other
18 components. And not counting our own satellites, we also
19 supply these subsystems to eight or 10 other satellite
20 programs every year, and this also supports, on average,
21 maybe 50 high-tech jobs within the company for each one of
22 those satellites.

23 So altogether, when you add it up, we contribute,
24 either directly or indirectly, to almost half of the U.S.
25 industry's annual output of satellites in a typical year,

1 and this, for our business, supports about 2500 jobs in
2 several of our major locations.

3 Now, in terms of the role of EXIM in this, in this
4 business, this has been a, I think, a terrific success story
5 over the past six or seven years. During that time, by --
6 well, even going back farther, 15 years, in, to the early
7 part of the last decade, EXIM has participated in about two
8 dozen satellite project financings, some of which involved
9 multiple satellites. And so if you count up the number of
10 satellites that were built by U.S. companies that probably
11 would not have been built here during that time, the number
12 is about 30, and that's very much weighted towards the last
13 half decade or so, the period since roughly 2010. During
14 that time, 19 or 20 deals have been facilitated by EXIM
15 financings that involved about 25 satellites and, in total,
16 about \$5 billion in, in financings.

17 This, this has, particularly over the last two
18 full years that EXIM was fully engaged with our sector, 2013
19 and '14, this facilitated slightly more than a third of all
20 commercial satellite sales by U.S.-based manufacturers,
21 something like, by my count, 11 of 28 or 29 satellites. So
22 it's been, it's been a very important part of our industry's
23 growth in recent years.

24 It's also during that time supported, not only in
25 my company but across the industry, many thousands of

1 high-tech jobs, and importantly, as Fred indicated, there
2 are, while there are four major U.S. satellite builders --
3 two large companies, two like mine, I'm more of a
4 medium-scale enterprise -- much of the work flows through
5 our supplier base to other medium and small companies.

6 So I think that's -- it's been a terrific success;
7 however, we do face some particularly challenging times now
8 in our commercial satellite business for several reasons.
9 First of all, customer demand historically has been cyclical
10 for a variety of reasons that have changed a bit over the
11 years, and in this phase of the cycle, a down phase for the
12 last couple of years, U.S. manufacturers are not only seeing
13 fewer opportunities to, to win new orders, but we're -- our
14 batting average has dropped in terms of the ones that we do
15 prevail on.

16 The downturn in overall demand is largely due to
17 our own success, in a sense, of providing ever more
18 affordable satellites when measured by a figure of merits
19 such as the, the capacity of the satellite divided by its
20 price, but also because now we're in a phase where most of
21 the operators are facing a couple of years of overcapacity
22 and that's put pressure on pricing in their businesses, and
23 in fact, that's been reflected so far this year in pretty
24 drastic declines in the public equity pricing of the major
25 satellite operating companies, which, as a group, are down

1 35 or 40 percent since the beginning of this year. Of
2 course, they do what you would expect them to do during such
3 a period, and that is, they cut back on their capital
4 spending, including for new satellites, and that's
5 translated into reduced orders. Order rates in 2015 and
6 '16, on a fully annualized basis, are down 25 to 30 percent
7 compared to what we saw just a few years earlier.

8 Now, if that wasn't challenging enough, as I
9 mentioned earlier, U.S. satellite builders have seen our
10 market share erode relative to principally our European
11 competitors for two other reasons -- first, particularly
12 over the last couple of years, as I think most of you know,
13 the dollar has been strong relative to the euro, and in
14 fact, in the last two years, the euro-dollar exchange rate
15 has dropped 20 or 25 percent. So that's made things a bit
16 tougher, and then finally, for the last 15 months, as you
17 all know, the EXIM Bank has been, has been sidelined, and
18 during that time, my company has lost one order very clearly
19 related to not being able to provide a competitive financing
20 package to a, to a customer in Eastern Europe, and a couple
21 of our larger colleagues in the industry in the U.S. have
22 also reported several losses. As a result, the U.S.
23 commercial satellite sector has seen our collective orders
24 dropping about 35 to 40 percent over the past 21 months
25 compared to the two-year period prior to that.

1 Things will, I'm sure, once again turn around as
2 we head towards the end of the decade, and we are very
3 hopeful that, that following the reauthorization late last
4 year, that the matter relating to the Bank's Board will be
5 resolved in one way or another in the near future so that,
6 so that the Bank can be back on this very competitive
7 playing field to support U.S. satellite builders as demand
8 turns back up over the, over the coming few, few years.

9 With that background, I'd be happy to answer any
10 questions that you might like to ask.

11 MS. GREGOIRE: Mr. Thompson, can I ask, setting
12 aside the quorum issue at EXIM, is there anything by way of
13 recommendation that you could make to EXIM to be more
14 helpful to you, based on your experience over the last
15 several years?

16 MR. THOMPSON: Governor, I would, I would say that
17 particularly in the last five or six years, EXIM has been a,
18 has really been a terrific partner. They've been -- from
19 our experience, they're quite easy to work with. The cycle
20 time of processing a potential financing package has been
21 reduced. The Bank has been quite forthcoming and
22 transparent about the constraints that it faces as we move
23 from one country and one credit situation to another. We
24 appreciate that. We realize that not every possible
25 satellite operator will meet the credit standards of the

1 Bank, and it's great to know that early in the process.

2 I think there will be some new opportunities in
3 the fairly near future as the Bank becomes active again, as
4 certain new technologies are emerging that will perhaps
5 shift the business models a bit between the traditional
6 satellite buyers and operators on the one hand and the
7 satellite manufacturers on the other. An example of that is
8 a project that we initiated early this year to build what we
9 believe will be the first commercial satellite servicing
10 system. Think of it as Triple A service in the sky that can
11 help to refuel or repair satellites that have perhaps
12 reached the end of their fuel life but otherwise are quite
13 capable of operating for another five or, or 10 years.

14 And so the model of there being this very clear
15 distinction between manufacturers and operators may blur a
16 little bit, and the response that may be appropriate for
17 EXIM to consider would be looking at not just supporting the
18 domestic manufacturing and exports of products but also the
19 provision of services to that market using high-technology
20 systems that are designed and built here in the U.S., but I
21 have no, no doubt at all that, that under Fred's leadership
22 the Bank will embrace that model as long as it makes good,
23 good financial sense. So we're very, very strong advocates
24 of the Bank and its, its work with our industry over the
25 past half-decade or so.

1 MS. GREGOIRE: Good. Questions, you-all? Please,
2 Don.

3 MR. NELSON: Hi, Dave.

4 MR. THOMPSON: Yeah. Hi, Don.

5 MR. NELSON: I was just curious, a company like
6 Orbital Services, you manufacture the satellite. Do you
7 also launch it, or do you use subcontracts, like a SpaceX or
8 someone else, to actually get it in the air?

9 MR. THOMPSON: Well, we, we follow both models,
10 depending on the circumstances. For many of our
11 smaller-class satellites, we also offer customers rockets
12 that we build to launch those satellites, but we -- but for
13 the medium- and larger-class systems we work with other,
14 other companies to perform the launch services.

15 Sometimes a commercial satellite operator will ask
16 us to provide a complete package, delivered in orbit. Other
17 times they will, particularly for the larger and more
18 experienced satellite operators, they'll disaggregate their
19 purchases and separately pick their preferred satellite
20 builder and their preferred launch supplier. So we, we
21 accommodate a range of different models in that regard.

22 MR. NELSON: Thank you.

23 MS. GREGOIRE: Please.

24 MS. KAVIA: Mr. Thompson, thank you so much for
25 providing a summary about your company. I'm very sorry to

1 hear that you lost that order in Eastern Europe. Have you
2 had to consider layoffs as a result of losing that order,
3 and how have you approached the congressional leaders as to,
4 you know, losing this order? If you could explain that?

5 MR. THOMPSON: Well, with regard to the first
6 question, so far we've been lucky. The, the recent downturn
7 in commercial satellite orders has been, at least in the
8 short term, largely offset in our business with a bit of an
9 uptick in government satellite work. We, like, like many
10 companies in this industry, we try to maintain a balance
11 across the different market areas because we know that, that
12 all of these areas have historically been cyclical. They
13 operate on different cycles for different reasons, and so
14 while that's no guarantee that at some point we won't find
15 ourselves in simultaneous down cycles across all of our
16 markets, it does often help to smooth things out. So, so
17 far that hasn't, the current situation hasn't, hasn't
18 required any reductions in staff, but it certainly has
19 slowed our new hiring.

20 With -- I'm sorry. I think I forgot your second
21 question?

22 MS. KAVIA: Second question was how have you made
23 that aware to --

24 MR. THOMPSON: Oh.

25 MS. KAVIA: -- you know, the leaders in your local

1 community and --

2 MR. THOMPSON: Yeah. We've, both at the national
3 level and, in our case, at the state level, we've made, made
4 the case for the, first, last year for the importance and
5 the urgency of reauthorizing the Bank and then more recently
6 this year for approving at least one new member of the
7 Board.

8 Our -- most of our satellite work takes place in
9 three states, Virginia, Arizona, and California, and we've,
10 we've worked closely with the congressional representatives
11 from all three states, and they have been generally very
12 forward-leaning. That would be especially true, I would
13 say, here in Virginia with Senator Warner and Senator Kaine,
14 who, who are very strong advocates for the Bank, but -- and
15 we've even gone into the lion's den a bit with a few of the
16 more skeptical members. And I don't know that we've changed
17 too many minds, but hopefully we've helped in a small way
18 get to, get to a good answer here before too long.

19 MS. GREGOIRE: Wanda.

20 MS. FELTON: Mr. Thompson, thank you so much for
21 your presentation. You mentioned seven or eight states
22 where --

23 MR. THOMPSON: Yes.

24 MS. FELTON: -- you were active in, and I would
25 assume that that supply chain is true for the industry.

1 What are the others?

2 MR. THOMPSON: Well, in our case, we have, in
3 addition to our headquarters in Virginia, where we also have
4 a sizable engineering and manufacturing operation, we have
5 large -- these would be sort of thousand-person or larger
6 operations -- in Maryland, West Virginia, Missouri,
7 Minnesota, and then out, out in the southwest in Utah,
8 Arizona, and mostly Southern California.

9 MS. GREGOIRE: Well, first of all, thank you very
10 much for joining us today. We're probably not as frustrated
11 as you, because I can only imagine your personal
12 frustration, but we share your frustration and just want you
13 to know that we're doing everything we can as an Advisory
14 Committee and, honestly, Fred and the team here at EXIM is
15 doing everything we can to make sure that we get back to the
16 quorum, get back to business, get back to ensuring your
17 economic vitality and our competitiveness globally with
18 respect to your sector as well as many other sectors.

19 So we share your pain, and again, thank you for
20 coming. And we're going to recess for lunch. If you'd like
21 to join us, you're more than welcome to do so.

22 MR. THOMPSON: Well, thank you, Madam Chair and
23 members of the committee. As you know and have probably
24 heard from many other people, we think that Fred and his
25 team at the Bank are great and appreciate the opportunity to

1 tell our story here. I'm going to -- I appreciate the
2 invitation to lunch. I think I'm going to have to decline,
3 though, get back to work, but thank you.

4 MS. GREGOIRE: Thank you. Thanks for joining us.

5 MR. HOCHBERG: Let me just -- and just quickly
6 add, Dave and his team really were great advocates on behalf
7 of EXIM Bank and the reauthorization and partly by just
8 having a very strong presence on the Hill, really
9 communicating the job impact in state after state, as just
10 mentioned, and a lot of the support we got on the Hill has
11 to do with the efforts that you personally put in and your
12 team put in, so thank you.

13 MR. THOMPSON: Thanks, Fred.

14 MS. GREGOIRE: Thank you.

15 MR. THOMPSON: Thank you.

16 MS. GREGOIRE: So we're going to have lunch right
17 next door. What I -- we have an issue we'd like to talk
18 about as a group in private session as well. I'd like, if I
19 could, to suggest we cut the lunch short so we can get out
20 sooner, because I think that absolutely can occur.

21 So when we reconvene, we'll start up with Erin,
22 who is not here, but anyway, start with her and then, Don,
23 go back to you with respect to the subcommittee, I'll talk
24 about the transition document, we'll go to public comment,
25 and we will depart. So for lunch, I think we can probably

1 be back here -- what do you think, you-all? 2:00?

2 UNIDENTIFIED SPEAKER: Yep.

3 MR. HOCHBERG: Yeah. Yes.

4 MS. GREGOIRE: Good. Excellent. Thank you.

5 (Whereupon, at 1:28 p.m., a luncheon recess was
6 taken.)

7 MS. GREGOIRE: Okay. Erin.

8 MS. GULICK: Great. Should I --

9 MR. HOCHBERG: Go.

10 MS. GULICK: Okay. Hello. All right. Thank you,
11 everyone, for having me here today. I appreciate the
12 ability to provide an update. So I'm just going to recap a
13 couple of things for everybody, starting off with the EXIM
14 Bank Reform and Reauthorization Act of 2015.

15 As the chairman mentioned earlier, we have made
16 progress on a number of the 18 requirements that the Bank
17 was required to do, both directly and indirectly. I've
18 highlighted a handful of the major provisions that were in
19 the legislation.

20 As you know, we got the authorization in December
21 of 2015. We go through September 30th of 2019. So that
22 does give us a number of years to -- a number of years to
23 implement the provisions, although a number of the
24 provisions do have certain timing requirements, many of
25 which we are going to be able to meet, however some of which

1 do require the full-functioning -- a Board quorum in able to
2 fully comply with them, such as the Office of Ethics Chief
3 Risk Officer and Risk Management Committee, which do require
4 the Board.

5 But we're really here to talk about the Board of
6 Directors, which is the topic of conversation for most
7 people. So, as you see, we have a five-member Board, and
8 we've outlined here the various term limits. They are
9 separated terms so that -- with the goal of the Board always
10 being occupied and not having a lapse in the quorum.

11 So, as you can see, both Chairman Hochberg and
12 Vice Chair Felton, their terms expire this coming January
13 2017; however, all Board -- all of the Board positions are
14 permitted an automatic six-month extension. So technically
15 that term can go until July of 2017 should the chairman and
16 vice chair choose to stay on in those positions.

17 As you can also see, we have three vacant
18 positions. All of the terms are for four-year terms. So if
19 someone is nominated, such as Mr. McWatters, it is for a set
20 term, whether or not they start at the top of the four-year
21 term or come in in the middle of the four-year term. And,
22 also, as you can see on the slide, no more than three
23 members can be of the same political party. This is also
24 with the intention of showing independence and a bipartisan
25 nature of the Board.

1 So why is the Board important? The Board is
2 important because it approves medium- and long-term
3 transactions over \$10 million. As was noted earlier by the
4 chairman, the Board has actually done quite a bit of work,
5 and since 2009 they have approved and disbursed financing
6 that has directly financed -- directly supported more than
7 2,000 companies, 40 percent of which were directly small
8 business, and as you all know, this does not even account
9 for the small businesses in the supply chain, which are much
10 greater than that 40 percent even signifies.

11 In addition, we have an extensive pipeline at this
12 point. We have approximately more than 30 Board-level
13 transactions that are pending that are valued at more than
14 \$20 billion, which is quite an extensive level. So having a
15 quorum is very important to job creation throughout the
16 nation.

17 Right now we have two nominees who have been put
18 forward by the President. One of them is Republican Mark
19 McWatters, who was nominated back in January.
20 Unfortunately, no action has been taken on his nomination,
21 excuse me, but he has completed -- we have sent his material
22 up to the Senate Banking Committee, which is the committee
23 that processes his nomination, and we've had him meet with
24 several Democratic and Senate -- and Republican senators,
25 including Senator Mitch McConnell himself. We have also

1 taken efforts to educate him on what we do here at the Bank
2 and the impact that we have, and Gabriel Ojeda was kind
3 enough to host us in one of those educational moments.
4 So --

5 In addition to that, last week, on September 19th,
6 Claudia Slacik, who was the former chief banking officer,
7 was nominated by the President to serve a term expiring
8 January 20th, 2019. We are in the process of finalizing her
9 materials to send up to the Senate Banking Committee, and we
10 hope to do so in the coming week.

11 MR. HOCHBERG: They don't need to be in session
12 for that?

13 MS. GULICK: No. The Senate only needs to be in
14 session for the nomination to be made. The materials can go
15 up at a later date.

16 MR. HOCHBERG: If I could ask --

17 MS. GULICK: Yes.

18 MR. HOCHBERG: -- when you say that McWatters has
19 completed meetings, in other words, there are no more --

20 THE REPORTER: Your mic, please.

21 MR. HOCHBERG: -- there are no other open meetings
22 that --

23 MS. GULICK: We have no current pending meeting
24 request. So he --

25 MR. HOCHBERG: I understand that, but that means,

1 and we don't want any more or all that he should do are
2 done? I mean, that's what I was trying to get at. When you
3 said completed, that's what threw me.

4 MS. GULICK: Yes. He -- well, he has held these
5 meetings, and more could always be done. He has not met
6 with all 100 senators.

7 MR. HOCHBERG: Right.

8 MS. GULICK: He has met with 18. So, yes, there
9 are 22 members of the Senate Banking Committee. Some
10 members chose not to have meetings with him, and other
11 timing schedules did not allow for further meetings to
12 occur. We could potentially do meetings in the three weeks
13 that are left -- that will be left following this week;
14 however, senators' schedules will be really quite tight at
15 that point --

16 MR. HOCHBERG: Right.

17 MS. GULICK: -- and it's very unlikely that anyone
18 will actually want to do a meeting. We will also be
19 offering meetings for Democratic Nominee Claudia Slacik;
20 however, given the limited schedule that will be
21 forthcoming, it's unlikely that many senators will have the
22 ability to do a meeting.

23 In addition to our Board of Directors, we have an
24 inspector general nominee that was put forward in July.
25 Unlike the Board, the inspector general serves -- does not

1 serve a fixed term. They serve at the will of the
2 President; however, the President may remove the inspector
3 general as long as they provide a 30-day notification to
4 Congress.

5 Obviously, with all nominations, they do expire at
6 the end of this Congress, which is in -- well, I guess,
7 technically January but generally December, and a Congress
8 lasts every two years.

9 MR. HERRNSTADT: Who approves his nomination?

10 MS. GULICK: So inspector generals, he is reviewed
11 by both the Senate Banking Committee and the Senate
12 Government and, Government --

13 MS. FELTON: Government Oversight?

14 MS. GULICK: What?

15 MS. FELTON: Oversight?

16 MS. GULICK: Yes, but it's -- it's not called
17 Oversight. It's his GAC, but I can't remember the --

18 MR. HOCHBERG: Not Operations?

19 MS. GULICK: No. It's, it's Government, like,
20 it's Government Operations and -- it's another committee
21 with -- it's Senator -- Senator Carper and Senator Johnson
22 are chair, are ranking and chair of those committees, and so
23 they, the -- once his nomination is passed by the Senate
24 Banking Committee, it is then referred to his GAC, or for, I
25 think, a 20-day period, and then it either automatically

1 moves to the floor or they can approve it sooner than that.

2 So -- and I will look up the name of the committee.

3 MR. BEVENS: Homeland Security and Governmental
4 Affairs.

5 MS. GULICK: Thank you. Yes, that one.

6 MR. BEVENS: I have Google.

7 MS. GULICK: Yeah. So any further questions on
8 the IG? Okay.

9 MR. HOCHBERG: And all those -- all those
10 nominations at the end of this Congress would have to be all
11 resent back up to the Hill --

12 MS. GULICK: Correct.

13 MR. HOCHBERG: -- either by President Obama in the
14 first 17 days or by the new President?

15 MS. GULICK: Well, no, because the new Congress
16 wouldn't start until January, like, past January --

17 MR. HOCHBERG: So that -- then one or two days
18 they're in does not, will not -- they're only in for a
19 couple of days that first week when they get sworn in. They
20 usually get sworn in --

21 MS. GULICK: Oh.

22 MR. HOCHBERG: -- like, on January 3rd or 4th.

23 MS. GULICK: Yes.

24 UNIDENTIFIED SPEAKER: Yeah.

25 MS. GULICK: Yes. So, yes, I guess technically

1 they could do that, technically.

2 MR. HOCHBERG: But unlikely?

3 MS. GULICK: I have a hard time seeing that
4 happen, but it is possible. Yes, there, I think there is
5 that small, like, window, but it's a very small window, but
6 yes, technically that is, I think, an option.

7 So where are we right now? Well, as most of you
8 know, the federal budget expires on September 30th, which is
9 this Friday. Right now they've been negotiating what's
10 called a continuing resolution, which would go until
11 December 9th. So it's just a handful of weeks. At this
12 point it is our expectation that we will not be -- our Board
13 quorum fix will not be included in the CR and -- but we have
14 not seen the specific legislative text. It's our, my
15 expectation that the Senate and House will be able to pass a
16 continuing resolution by the September 30th deadline.

17 So beyond the continuing resolution, we have the
18 general appropriations. So when the House and Senate come
19 back after the election on November 8th, they will then have
20 to work to fund the government beyond December 9th.
21 Generally, that would likely go toward, to September 30th,
22 2017; however, they could choose to do it in a shorter time
23 period. It's more likely that they would do the, the rest
24 of the year -- the rest of the fiscal year, that is.

25 During the course of the appropriations process

1 this year, the Senate State and Foreign Ops Committee and
2 the House State and Foreign Ops Committee both passed
3 legislation out of the full committee that included what we
4 are calling our Board Quorum Legislative Fix. This fix
5 would reinstate a 1999 law that allowed EXIM to function
6 temporarily without a -- with less than three members on its
7 Board.

8 The -- while this is not an ideal situation,
9 ideally we would be able to have these Senate, these Senate
10 nominees, sorry, the nominees confirmed through the Senate;
11 however, many in Congress feel these are extenuating
12 circumstances and that it's very important that the EXIM
13 Bank be able to function once again to its full capacity,
14 and so therefore they drafted a legislative fix to assist --
15 to allow the Bank to temporarily have a quorum when less
16 than three members are serving on the Board. We are hopeful
17 that when the House and Senate come back after the election,
18 that we will be able to be included in the long-term
19 appropriations or continuing resolution that is passed in
20 the lame-duck session.

21 So that leaves us with the remainder of the 114th
22 Congress. So, as I mentioned, the Congress lasts every two
23 years. Right now we are in the 114th Congress. The House
24 is scheduled to adjourn on the 30th, and the Senate is
25 expected -- is scheduled to be here next week as well, going

1 out on the 7th, however. There is an expectation by many
2 that they too may be done at the end of this week as well,
3 assuming they're able to pass the continuing resolution.

4 Both chambers then return on November 14th, and
5 then the scheduled adjournment is December 16th. Obviously
6 there are, there are some holidays that are intermixed in
7 there, leaving only four legislative weeks after the
8 November 8th election. So that means that Congress will
9 have a very limited time to negotiate on several key things,
10 one of them being a more long-term CR appropriations omnibus
11 that goes past December 9th to a date to be determined --
12 like I said, most likely, September 30th, 2017. Other items
13 include the National Defense Authorization Act. This is
14 typically done in a lame-duck period. That is also a
15 must-pass item. There are a handful of tax items, commonly
16 known as tax extenders, that may need to be dealt with,
17 though some don't always believe that they are must-pass.
18 Many of the must-pass tax extenders were already made
19 permanent; so it's negotiable whether or not some feel that
20 they're must-pass. And then there's the Trans-Pacific
21 Partnership, which there are varying degrees as to whether
22 or not people believe it's a must-pass, but it's certainly a
23 key legislative item in a lame-duck period at this point.

24 So no matter what, I guess the short end of it is
25 Congress will have to do some work when they come back in

1 the lame-duck, and I think that is a very strong opportunity
2 for EXIM's legislative fix to be considered.

3 So in the 115th Congress, which starts next
4 January and goes for two years, as mentioned, everything has
5 to -- like, all nominees will have to be renominated and
6 also any legislation that was not completed in the 114th
7 Congress would then need to be reintroduced in the 115th.
8 So essentially, every new Congress you start with a new
9 slate.

10 Right now the Senate is comprised of 54
11 Republicans and 46 Democrats, and the House has 246
12 Republicans, 186 Democrats, and with three open seats. How
13 these, the makeup of Congress changes is very unclear at
14 this point. There are speculations that the Senate could
15 potentially turn to a Democratic control; however, there's
16 also speculation that it will stay in the control of
17 Republicans. In addition, with respect to the House, most,
18 most people believe the House will stay in Republican
19 control; however, the difference, the differences between
20 the Republican and Democrats may -- the margin may get more
21 slim. However, you can check out polling sites for whether
22 or not that's likely.

23 In addition to potential changes in House and the
24 Senate leadership, or control, you have leadership and
25 committee chairs. Several changes are, are expected or

1 likely. Senator Schumer is going to be replacing Senator
2 Reid, Harry Reid, of Nevada as the Democratic leader. They
3 have already kind of made this decision within the Senate
4 Democratic Party. This is a result of Senator Reid retiring
5 this year. In addition, Senator Crapo is most likely to
6 replace Senator Shelby as the head of the Senate Banking
7 Committee, either as the chairman and/or ranking member, due
8 to term limitations placed upon Senator Shelby.

9 In addition, Senator Mikulski is retiring as the
10 top Democrat on the Appropriations; so a new Appropriations,
11 either chair or ranking, will be filling her spot. And, in
12 addition, in the House, Representative Hal Rogers, who has
13 been the chair of the House Appropriations Committee, is
14 also term-limited. The Republican caucuses in both the
15 House and the Senate set term limits for chairmanships and
16 ranking members by some complicated rules, but essentially,
17 you get six years as a chairmanship, and once you hit that
18 term, then you have to step down.

19 MR. OJEDA: Any idea who would replace him?

20 MS. GULICK: Yes. I think at this point it's -- I
21 think there's speculation that it's Representative
22 Frelinghuysen of New Jersey, but I, I couldn't say that with
23 certainty.

24 And this is the Congressional and
25 Intergovernmental Affairs team. If you have questions, I

1 think some of them -- no, none of them are in the audience.

2 MR. HOCHBERG: They abandoned you.

3 MS. GULICK: Well, they were here earlier when I
4 was scheduled to speak. So -- but anyway, so thank you on
5 our behalf and happy to answer any questions.

6 MS. GREGOIRE: Please, Don.

7 MR. NELSON: Yeah, thank you. When Crapo takes
8 over for Shelby --

9 MS. GULICK: Crapo.

10 MR. NELSON: Crapo. I'm not from Washington. I'm
11 from Bakersfield.

12 MS. GULICK: Well, he's from Idaho.

13 MR. NELSON: So --

14 UNIDENTIFIED SPEAKER: California speak.

15 MR. NELSON: Okay. So is he more favorable to
16 bring this up in the committee than -- I know Shelby is kind
17 of blocking it for a vote.

18 MS. GULICK: Well, Senator Crapo did not support
19 our authorization this time; however, we did have some very
20 positive conversations with him, and we've had positive
21 conversations with both him and his staff with respect to
22 our nominees, and he actually has met with Mr. McWatters.
23 So we feel pretty -- we feel better about him serving as a
24 leadership role on the banking committee in terms of our
25 prospects of moving him, but I can't say 100 percent either

1 way, but --

2 MR. NELSON: Yeah, be better than Shelby, though?

3 MS. GULICK: He appears so.

4 MR. NELSON: Yeah.

5 MS. GULICK: He doesn't appear to have the
6 vehement opposition that Senator Shelby does.

7 MR. NELSON: Okay. Thank you.

8 MS. GULICK: Uh-huh.

9 MS. GREGOIRE: Other questions?

10 MS. GULICK: Okay.

11 MS. GREGOIRE: Good job, Erin. Thank you --

12 MS. GULICK: All right. Thank you.

13 MS. GREGOIRE: -- very much. Don.

14 MR. NELSON: Yeah. Well, we had talked about
15 adding in on the small business committee the sub-Saharan
16 Africa language, but after further discussion it appears as
17 though that really belongs in the environmental group
18 because of the -- I guess there's a mandate for renewables
19 in the environmental that would make it a better fit. We
20 didn't update you on that, sorry about that, but --

21 MS. FELTON: There are a lot of -- as Bob said to
22 me recently, or earlier today, the, a lot of -- 30? How
23 many countries in sub-Saharan Africa have --

24 MR. PERCIASEPE: At least -- I think there's at
25 least 15 on the list.

1 MS. GREGOIRE: Right.

2 MS. FELTON: Okay. They are signatories to the
3 climate --

4 MS. GREGOIRE: Right.

5 MS. FELTON: -- act, and -- or climate pact -- and
6 the other reason is that the environmental group's specific
7 recommendations are strategic in nature and it's a little
8 broader than some of the small-business ones. I think it
9 actually could reference both, to be perfectly honest,
10 but --

11 MS. GREGOIRE: Okay.

12 MS. FELTON: -- it could be -- yeah, I think it
13 would probably be best --

14 MS. GREGOIRE: In the environmental?

15 MS. FELTON: -- in the environmental, but --

16 MS. GREGOIRE: Okay. Bob, your thoughts?

17 MR. PERCIASEPE: You know, I, I brought up
18 Paris --

19 THE REPORTER: Your mic, please.

20 MR. PERCIASEPE: Thank you. Thank you very much.
21 I brought up Paris, when we were talking about our
22 recommendations, just to point out that in -- a number of
23 the recommendations that we put forward are pretty high
24 level, that a strategy should be developed to look at, you
25 know, renewable markets. And obviously, the fact that all

1 these countries around the world have, have put forward
2 their, what they intend to do over the next five to 10 years
3 and almost all of them include some renewable component,
4 that that's a great mining field for trying to find
5 potential markets for both companies, you know, as well as
6 for the Bank itself.

7 So I would -- I mentioned this briefly to Luis
8 before he left, and I don't think there's an issue with
9 clarifying that that would be an important component of the
10 plan. And then there's, there's a, I think there's a pretty
11 interesting, as we -- as all the recommendations sort of
12 came together today, there's a pretty interesting
13 cross-fertilization between that and the small-business and,
14 you know, for the future, thinking of transition, you know,
15 some ideas that could be put forward if the next, if the
16 next group and the next administration can get the
17 Sub-Saharan Work Group going, or Task Force. I can't
18 remember what it's exactly called.

19 MS. FELTON: Advisory Committee.

20 MR. PERCIASEPE: Advisory, yes.

21 MS. FELTON: There's a, you know, there's the
22 Power Africa initiative that the President has initiated,
23 and you know, and it doesn't mean that it's only
24 environmental and renewable energy but that there's a,
25 there's a -- it's a cross section. I mean, I --

1 MS. GREGOIRE: Uh-huh.

2 MS. FELTON: -- I don't know how you handle it,
3 but --

4 MS. GREGOIRE: Don?

5 MR. NELSON: So I'm okay leaving it in the
6 small-business report, and maybe we reference the
7 environmental report or vice versa.

8 MS. DRAKE: Can we add it to both? I mean, I was
9 just going to mention Power Africa, and it is not just power
10 plants but very much distribution systems, and there's some
11 sense --

12 MR. HOCHBERG: Transmission, all that stuff.

13 MS. DRAKE: -- again, from the AGOA forum last
14 week, there's --

15 MR. HOCHBERG: Yeah.

16 MS. DRAKE: -- some sense that a lot of these
17 projects are simply replacing or adding to existing power
18 structures and still leaving a lot of the rural communities
19 behind, and there's a lot of work to be done there. And I
20 think seeing the interest in that in our subcommittee
21 reports for the EXIM Bank is going to be very useful to our
22 international partners on these projects.

23 MS. GREGOIRE: So my only hesitancy to put it only
24 in the environmental is that it isn't only environmental.

25 MR. NELSON: I agree.

1 MS. GREGOIRE: I would --

2 MS. DRAKE: Uh-huh.

3 MS. GREGOIRE: -- rather have us do it in both --

4 MR. NELSON: Okay.

5 MS. GREGOIRE: -- personally. Is that agreeable?

6 MR. NELSON: Yeah, I'm agreeable to that, sure.

7 MS. GREGOIRE: Okay. Okay.

8 MR. PERCIASEPE: And what I did during the break
9 is I have a list of 10 sub-Saharan countries, just to put a
10 finer point on it, all who have renewable goals by 2025 or
11 2030 in their Paris recommendations, including things as
12 specific -- like, Sudan saying they want to get 1.1 million
13 homes with solar power by 2030. So there, there's a lot of,
14 a lot of opportunity there, but as Jonathan Pershing from
15 the State Department pointed out to me last week, the EXIM
16 Bank is one of the tools that the State Department will be
17 looking for to provide that --

18 MS. GREGOIRE: Right.

19 MR. PERCIASEPE: -- you know, north-south --

20 MS. GREGOIRE: Right.

21 MR. PERCIASEPE: -- you know, ability to get
22 American companies engaged there.

23 MS. GREGOIRE: Right.

24 MS. FELTON: If I could just add one more final
25 point, and it -- the Electrify Africa Act was also passed in

1 Congress to institutionalize Power Africa, in part -- I
2 mean, to make it live past this administration.

3 MS. GREGOIRE: Yeah. Okay.

4 MR. PERCIASEPE: Yes, I'm happy to work on a
5 bridging language and share it with both committees.

6 MS. GREGOIRE: Yes. So if we could --

7 UNIDENTIFIED SPEAKER: That'd be great.

8 MR. BEVENS: Yes.

9 MS. GREGOIRE: -- make sure it gets into both as
10 a, kind of a friendly --

11 MR. BEVENS: Yes.

12 MS. GREGOIRE: -- I don't want to say amendment,
13 too formal -- addition, if you will, is that agreeable with
14 everybody?

15 MR. PERCIASEPE: Yes.

16 UNIDENTIFIED SPEAKER: Uh-huh.

17 MS. GREGOIRE: Okay. And with that, we'll submit
18 both of those reports to you, Mr. Chair. And then we have
19 seen this before. We saw this transition memo at our last
20 meeting. We have not really edited it from there. So
21 you've had a chance to take a look at it a couple of times.
22 It's really kind of intended to be a bit of an orientation
23 for the incoming group by us, and it is -- it does embrace,
24 if you will, some of the lessons that we've learned along
25 the way about engagement, that engagement isn't just coming

1 to a meeting, it's well beyond that, and so that's really
2 the main purpose behind it.

3 Matt took it to the legal folks here, and
4 everybody is copasetic with it. So -- and I don't --
5 there's nothing that I can see in here that's remotely
6 controversial. It's simply to help the next group get off
7 to a good start with kind of our ideas for them of how they
8 might want to take a look at their roles and really engage.

9 Any comments or questions?

10 MR. NELSON: Looks great.

11 UNIDENTIFIED SPEAKER: Looks good.

12 MS. GREGOIRE: Good?

13 UNIDENTIFIED SPEAKER: Yeah, great job.

14 MR. HOCHBERG: I agree.

15 MS. GREGOIRE: Okay. So we'll submit this,
16 Mr. Chair.

17 MR. HOCHBERG: That's good, you know, and since we
18 will -- presuming we have a quorum before the end of the
19 term, we can get this committee established so that going
20 into the next administration, it's already got some -- it's
21 already running --

22 MS. GREGOIRE: Good.

23 MR. HOCHBERG: -- up and running --

24 MS. GREGOIRE: Good.

25 MR. HOCHBERG: -- and same with the Sub-Saharan

1 Africa Advisory Committee. So that that --

2 MS. GREGOIRE: Good.

3 MR. HOCHBERG: -- not leaving that to a new
4 administration that's got a million things to figure out --

5 MS. GREGOIRE: Right.

6 MR. HOCHBERG: -- in the first few months.

7 MS. GREGOIRE: Great. Okay. With that, well,
8 we're a little ahead of schedule, nonetheless, want to open
9 it up for any public comments.

10 MR. HOCHBERG: We exhausted them.

11 MS. GREGOIRE: Seeing none, I simply would say to
12 you, Mr. Chair, thank you again on all of our behalf for
13 allowing us to serve and, most importantly, allowing us to
14 serve with you and with your team.

15 Madam Vice Chair, thank you as well for, for
16 coming to the meetings and participating. You have no idea
17 how much that means to us that you would take the time and
18 be here with us and kind of guide us and give us your best
19 insights and thoughts. So thank you as well.

20 And to my colleagues, thank you. It's been fun.
21 Stay in touch. Go forth. Yeah, Seahawks, go.

22 MR. PERCIASEPE: I feel like -- I feel the
23 Seahawks, but how about the Mariners? I mean, they're
24 catching up to the wild card.

25 MS. GREGOIRE: Well, you know, we're --

1 MR. PERCIASEPE: They're just about a game out.

2 MS. GREGOIRE: -- you know, we're trying to be
3 really optimistic, but you know --

4 MR. OJEDA: Next year.

5 MS. GREGOIRE: -- it's a little stretch for us to
6 be quite that optimistic.

7 MR. PERCIASEPE: So I feel like I'm not leaving
8 because I have two assignments after this.

9 MS. GREGOIRE: Yes, you do. Yes, you do.

10 MR. HOCHBERG: Well, we have had in the course of
11 this administration close to 70 Advisory Committee members.
12 I acknowledged that at the annual conference. So even
13 though your term is up does not mean your obligations to the
14 EXIM Bank are over. It simply means your term is up.

15 So for those who have -- who have the survival
16 instinct to stay until the very end of this meeting, thank
17 you, but we, you know, we haven't -- you know the Bank well;
18 you know what we do well. You also know what we don't do
19 well, and being a voice in your communities and in your
20 sectors of businesses is eternally helpful to the Bank.

21 And so with that, I also have just a small
22 photograph to present to Governor Gregoire, and I was told I
23 signed in the wrong place, but I just said: Thank you for
24 your steady and passionate leadership, Fred Hochberg,
25 9/28/16. And this was actually a picture that's in the

1 Competitiveness Report. It's you and I, as frequently
2 caught, at the -- at a meeting break, having a very animated
3 conversation.

4 MS. GREGOIRE: Yes, but as I described when I just
5 saw this over lunch, it looks like you're going, sorry, and
6 I'm going, please, oh, please.

7 MR. HOCHBERG: Yes. The folding of the arms is a
8 bad -- is not a good body language, but --

9 MS. GREGOIRE: Thank you.

10 MR. HOCHBERG: Thank you.

11 MS. GREGOIRE: Thanks, Fred, very much.

12 MR. HOCHBERG: Thank you so much.

13 MS. GREGOIRE: Absolutely, and I want to give a
14 big thanks on all of our behalf to Matt. Thank you. You've
15 been there the whole way with us, through ups and the downs
16 and the you can't call us until you do call us, and we can't
17 -- thank you for assigning Gaurab. Thank you for assigning
18 Matt. It has been great.

19 MR. HOCHBERG: Well, I would add, I wanted to
20 thank Matt, who is, as deputy chief of staff, sort of acts
21 as the convener or co-convener, Tia, Niki, and Tanya in my
22 office and a lot of interns, who worked on this meeting --

23 MS. GREGOIRE: Yes.

24 MR. HOCHBERG: -- and all of the meetings. So
25 thank you all and great --

1 MS. GREGOIRE: And Scott, for all of the guff I've
2 had to put up with.

3 MR. HOCHBERG: So thank you, and we are --

4 MS. GREGOIRE: Adjourned.

5 MR. HOCHBERG: You have to adjourn it. I can't do
6 that.

7 MS. GREGOIRE: We are adjourned. Thank you,
8 everyone.

9 (Whereupon, at 2:34 p.m., the meeting was
10 concluded.)

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Digitally signed by Wendy Campos

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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 Advisory Committee on September 28, 2016.



Transcriber

October 8, 2016

Date