PROMOTING AMERICAN JOBS:
REAUTHORIZATION OF THE
U.S. EXPORT-IMPORT BANK

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PROMOTING AMERICAN JOBS: REAUTHORIZATION OF THE U.S. EXPORT-IMPORT BANK

Tuesday, June 4, 2019

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The committee met, pursuant to notice, at 10:06 a.m., in room 2128, Rayburn House Office Building, Hon. Maxine Waters [chairwoman of the committee] presiding.


Chairwoman WATERS. The Financial Services Committee will come to order. Without objection, the Chair is authorized to declare a recess of the committee at any time.

Today's hearing is entitled, “Promoting American Jobs: Reauthorization of the U.S. Export-Import Bank.”

I will now recognize myself for 4 minutes to give an opening statement.

Today, this committee convenes for a hearing to discuss the revival and long-term reauthorization of the Export-Import Bank (Ex-Im), which plays an important role in the U.S. Government’s effort to support American jobs, maintains the validity of critical industry sectors, and thwarts the movement of manufacture and production overseas. For 85 years, the Ex-Im Bank has helped U.S. exporters compete in the global markets by assuming credit risk that the private sector is unable or unwilling to accept, and by helping U.S. firms compete on an equal footing against foreign competitors with access to generous export financing through their own government export credit agencies.

Over the last 10 years, Ex-Im financed more than $255 billion in U.S. exports, supported more than 1.5 million American jobs, and remitted more than $3.4 billion in deficit reducing receipts to the Treasury.

Despite its numerous contributions to our economy, this critically important institution has repeatedly found itself under attack.
In July 2015, the previous chairman of this committee allowed the Bank’s charter to lapse for the first time in the Bank’s 81-year history. After months of hard work, Representatives Heck, Moore, Hoyer, and I joined an overwhelming majority of our colleagues on both sides of the aisle in voting to renew Ex-Im’s operating charter through September 30, 2019.

The reauthorization legislation mandated a number of important reforms, including provisions to boost the share of financing for small businesses and ensure that Ex-Im maintains its fiscal soundness.

Although Ex-Im has finally been reauthorized, Republican Senate leadership refused to confirm the directors of Ex-Im’s board, thereby denying the board the required quorum to approve transactions over $10 million. Without the ability to consider the full range of transactions pending approval, Ex-Im reported that $40 billion worth of transactions, which would support an estimated 250,000 jobs, languished in its approval pipeline. Fortunately, last month, the Senate finally confirmed three new board members of Ex-Im Bank, reviving the agency.

Failure to reauthorize and strengthen Ex-Im would result in the loss of tens of thousands of jobs as U.S. exporters suffer declining overseas. This includes thousands of small- and medium-sized businesses across the country.

Without a strong and competitive Ex-Im, companies may be forced to move jobs to locations where export credit is still available, and American workers will suffer. Additionally, this will undermine America’s manufacturing base which, in turn, will negatively impact America’s industrial production capacity that is critical to our economic growth and international competitiveness.

So I look forward to today’s discussion on ways to support U.S. workers that ensure our exporters will get the certainty they need to grow, compete globally, and keep good jobs here at home.

I now recognize the ranking member of the committee, the gentleman from North Carolina, Mr. McHenry, for 5 minutes for an opening statement.

Mr. McHenry. I thank the chairwoman, and I appreciate her organizing this very distinguished panel today. And I appreciate the panel being here.

The Export-Import Bank can trace its origins back to the 1930s. One of its first loans was extended to China for the construction of the Burma Road, an important supply route when China found itself at war with Japan, and certainly a hard-fought path during World War II.

I raise this example to underscore how much has changed in the intervening 8 decades, but also to highlight what must remain constant as we approach a reauthorization of Ex-Im.

Our relations with China and Japan, not to mention their internal governance, have undergone a dramatic transformation since Ex-Im’s founding. But the use of Ex-Im as a tool of our national interest and even our national security interest has increased importance today.

China is providing unparalleled levels of export subsidies for its company, especially its state-owned enterprises, with a goal of
dominating the technologies of tomorrow and extending its influence through the Belt and Road Initiative.

In the face of this challenge, no one expects the Export-Import Bank to singlehandedly neutralize China’s efforts. But as we continue to examine how to modernize Ex-Im, it is imperative that we look reality in the eye and adapt the Bank to the present day. This means focusing Ex-Im on the exports of the future. It means supporting jobs that are central to the culture of competitiveness and innovation. This is how Ex-Im can best advance U.S. leadership in the face of China’s plans.

At the same time, we have to recognize that our competitiveness is not just a product of America’s largest companies, but also springs from our startups and small businesses, a unique source of vigor that distinguishes us, not just from China, but from every other country on the globe.

I am confident that Members from both parties want to ensure that Ex-Im allows our small exporters to grow and flourish by seeking out new markets.

Let me conclude by noting that while Ex-Im must be better adapted to confront Beijing’s ambitions, we continue to hope for a future where the Chinese government joins international order and adheres to the standards of developed nations, including standards governing export subsidies.

As we know, on this day 30 years ago, the Communist Party trampled on its people’s calls for reform in the Tiananmen Square massacre, the remembrance of which is still suppressed to this day by leaders in Beijing.

So while we continue to work towards a peaceful and constructive relationship with China, I hope we will remain clear-eyed about the nature of its regime, especially as we consider how to employ Ex-Im’s resources much more strategically going forward.

I yield to the subcommittee ranking member on this very subject, Steve Stivers.

Mr. STIVERS. Thank you, Ranking Member McHenry.

I want to thank the Chair for calling this hearing today. As everyone knows, we don’t have much time to reauthorize the Ex-Im Bank.

In 2017, China’s export credit agencies provided approximately $36 billion in medium- and long-term financing to support its manufacturers. Meanwhile, the United States Ex-Im Bank deployed approximately $200 million of assistance to American exporters.

China is aggressively pursuing a comprehensive industrial strategy, China 2025, to erode America’s industrial base and dominate technologies for the 21st Century. If we are going to fight back, we need to recognize that modernizing and strengthening the Ex-Im Bank is part of what we have to do, and it is a national security issue. While we do this, we can also support efforts that make Ex-Im more transparent and accountable to taxpayers.

I look forward to hearing from our witnesses today about the unfair advantage that foreign export credit agencies have in providing support to their manufacturers and how we can reform and strengthen our Ex-Im Bank to level the playing field for American employers and the American economy.

Thank you. I yield the gentleman his time back.
Chairwoman WATERS. Thank you.

I now recognize the Chair of our Subcommittee on National Security, International Development, and Monetary Policy, Mr. Cleaver, for 1 minute.

Mr. CLEAVER. Madam Chairwoman, this is an important piece of legislation for the people of the Fifth District and for the State of Missouri. We have a significant number of companies who are involved with Boeing, who are spending significant amounts of money and hiring as a result of the Ex-Im activity. And it would be my hope that we can get this bill out of committee, on the Floor, and through the Senate. A lot depends on it.

Thank you. I yield back the balance of my time.

Chairwoman WATERS. Thank you.

I want to welcome today’s distinguished panel: Linda Menghetti Dempsey, vice president, international economic affairs, National Association of Manufacturers; Owen Herrnstadt, chief of staff of the international president, International Association of Machinists and Aerospace Workers; David Hinson, vice president, Institute for Diversity and Emerging Business, U.S. Chamber of Commerce; Roy Kamphausen, commissioner at the U.S.-China Economic and Security Review Commission; Archana Sharma, CEO, AKAS Tex, LLC, a textile manufacturer and exporter based in Pennsylvania; and Steven Wilburn, CEO, FirmGreen Incorporated, an integrated energy company focusing on green technology and alternative fuels based in California.

Without objection, all of your written statements will be made a part of the record. And each of you will have 5 minutes to summarize your testimony. When you have 1 minute remaining, a yellow light will appear. At that time, I would ask you to wrap up your testimony so we can be respectful of both the witnesses’ and the committee members’ time.

Ms. Dempsey, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF LINDA MENGHETTI DEMPSEY, VICE PRESIDENT, INTERNATIONAL ECONOMIC AFFAIRS, NATIONAL ASSOCIATION OF MANUFACTURERS (NAM)

Ms. DEMPSEY. Chairwoman Waters, Ranking Member McHenry, members of the committee, thank you for the opportunity to be here today on behalf of the National Association of Manufacturers, the largest manufacturing association in the country.

I am here because the 14,000 manufacturers we represent, small and large, in every industrial sector and in all 50 States and the more than 12.8 million women and men who make things in America depend on the ability to sell overseas and to be globally competitive. Access to foreign markets is critical to growing manufacturing in the United States, getting innovative products to consumers, and creating good, high-paying jobs.

The United States has the world’s most productive manufacturing sector, but the U.S. market represents only 10 percent of global consumption. Our manufacturers need to be globally competitive to reach customers outside of our country if we are going to keep growing.
As the official export credit agency of the United States, the Export-Import Bank operates as the lender of last resort for thousands of U.S. exporters that cannot obtain financing or related services from commercial banks.

For the exporters that use this tool, it is often the difference between winning and losing a deal and growing or risking jobs. That is why manufacturers are grateful that the Senate confirmed the three nominees to the Ex-Im board last month, and the agency is now fully functional for the first time since 2015.

I have outlined in my written testimony the many reforms the Ex-Im Bank has implemented pursuant to the 2015 reauthorization, including working to expand usage by small businesses, heightening the Ex-Im Bank’s risk and ethics controls, prohibiting discrimination against any eligible exporter, and keeping Congress better informed of its activities. Many of these reforms awaited the installation of the new quorum, and their impact is only just starting to be felt.

Now, we are asking Congress to revitalize and reauthorize the Ex-Im Bank quickly to provide certainty and a level playing field for manufacturers in America. The Ex-Im Bank serves several critical roles that fill gaps when commercial financing is not available. It supports small and medium-sized exporters that can’t obtain working capital, financing, and guarantees. It also supports exporters of all sizes that require longer-term financing for large deals, financing for sales to emerging markets, and support for sales to foreign state-owned entities.

Since 2000, the exports made possible by the Ex-Im Bank have supported more than 2.5 million American jobs. Last year, more than 90 percent of the Ex-Im Bank’s transactions directly supported small businesses. And many more small businesses benefit when our larger companies can export more.

Action to revitalize and reauthorize the Ex-Im Bank is also critical, given the unprecedented challenges that manufacturers face in the global economy. There are more than 100 foreign export credit agencies around the world working to support their country’s manufacturers at the expense of ours. When U.S. businesses can’t bid on or finance overseas projects or secure foreign sales in the absence of Ex-Im, other countries are more than happy to fill the void.

The NAM estimates that during the nearly 4 years that the Ex-Im board lacked a quorum and the ability to fully operate, manufacturers lost at least $119 billion in manufacturing output and the loss of 80,000 jobs in 2016 and 2017 alone. These losses are particularly hard for small and medium-sized businesses and the broader industrial base.

Meanwhile, China, India, Korea, and others have been growing their export credit agencies substantially, both for commercial and other national interests. China’s total medium and long-term export assistance totaled more than the rest of the world combined in Fiscal Year 2017. China has used its financing to advance its economic and geopolitical interests. In one instance, its massive loans won foreign government approval of a Chinese military base adjacent to America’s only permanent military installation in Africa.
This issue, however, is much larger than just China, and it is much larger than our economy. When America fails to lead, other nations fill the vacuum. Unless Congress takes action to reauthorize and revitalize the Ex-Im Bank quickly, our country's standing in the world will falter.

Here is what manufacturers are asking of Congress: reauthorize the Ex-Im Bank for a significant term; fix the quorum issue to avoid costly disruptions; revitalize the Ex-Im Bank's mission to help counter the growing challenge of state-directed export financing; and continue to ensure the Ex-Im Bank promotes exports by all eligible exporters without hampering its ability and flexibility to help manufacturers of all sizes and types. Proposals to restrict usage by particular firms and industries through strict concentration or similar limits would undermine Ex-Im's mission and America's ability to compete globally, to the detriment of manufacturers.

Thank you.

[The prepared statement of Ms. Dempsey can be found on page 60 of the appendix.]

Chairwoman WATERS. Thank you very much.

Mr. Herrnstadt, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF OWEN HERRNSTADT, CHIEF OF STAFF TO THE INTERNATIONAL PRESIDENT, INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS (IAM)

Mr. HERRNSTADT. Thank you, Chairwoman Waters, Ranking Member McHenry, and members of the committee, for the opportunity to testify before you today on the vital importance of the Export-Import Bank in promoting American jobs.

The International Association of Machinists and Aerospace Workers represents hundreds of thousands of workers in North America. Our members produce, service, assemble, and transport products, parts, and assemblies that create the global economy. They are responsible for the success of many of this nation's leading export industries.

Given our members' work in the export industries, we are uniquely positioned to share with you our strong support for the Bank so that it can continue its critical mission of supporting U.S. jobs by financing exports that meet strong U.S. employment policy requirements, including those concerning domestic content.

We need a fully funded and reauthorized Ex-Im Bank now more than ever. Global competition has never been more intense, and the stakes for our economy have never been higher as U.S. firms and U.S. workers struggle to compete in today's global marketplace.

As just mentioned, many other countries have implemented their own policies and industries that promote domestic industries and employment, including Germany, France, Italy, Japan, and China, to name a few.

Unlike these other countries, the U.S. has only one government institution that supports U.S. exporters and U.S. workers: the Ex-Im Bank. Since the Ex-Im Bank began in the 1930s, its mission has been to support U.S. exports that support U.S. workers. The Bank's efforts, as noted, have been stymied over the past few years
by delaying authorization and then by preventing the existence of its quorum of its board of directors.

During this period, companies have announced closures of facilities while they are struggling to find financing. While uncertainty over the Ex-Im Bank’s future continues, export credit agencies (ECAs) in other countries have become more and more aggressive, as has already been noted. Aerospace is one of the principal targets of foreign ECAs, as noted in Ex-Im’s report on global export competition.

China’s use of the ECAs is of special concern given the massive amount of financing that they are providing their export industries and the lack of transparency. While we don’t know a lot about the financing, what we do know is of serious concern. We know that China has focused hundreds of billions of ECA dollars on its export industries. As the Bank notes, Chinese activity now accounts for roughly 40 percent of global total trade for medium- and long-term support. China’s ECAs mandate support for its own One Belt, One Road initiative.

Now, some critics of the Ex-Im Bank want to eliminate the export credit financing entirely. They argue that if no country can engage in this activity, no country will be able to use ECAs to promote their own industries and employment. Their criticism is based on two presumptions. First, they presume that all countries will agree to eliminate export credit agencies, which is seriously doubtful. Second, they presume that the elimination of export credit agencies will eliminate other countries’ efforts to support their own industries and employment. Unlike the U.S., however, as Europe’s Strategic Aerospace Review for the 21st Century and China’s Made in China 2025 efforts clearly indicate, other countries utilize comprehensive policies that are not limited to ECAs to support their own industries and employment.

As indicated at the outset, the IAM’s support for the Ex-Im Bank is directly linked to strong public policies that support U.S. employment, like domestic content in shipping requirements. Strong domestic content means that a greater percentage of the product for export is made here in the United States. Strong shipping requirements mean that U.S. workers on U.S. flagships, not foreign workers on foreign flagships, will transport the Ex-Im Bank-financed exports.

Past efforts to weaken these essential public policies should continue to be rejected if at all raised. If domestic content and U.S. shipping requirements are weakened in any way, U.S. workers will suffer. Moreover, U.S. taxpayers, including the U.S. workers whose jobs are at stake, should not have to question whether their hard-earned money is going to create jobs here at home or in other countries.

The IAM strongly urges this committee to act as quickly as possible to simply, cleanly, and fully reauthorize the Ex-Im Bank with strong U.S. employment policies.

[The prepared statement of Mr. Herrnstadt can be found on page 69 of the appendix.]

Chairwoman WATERS. Thank you, Mr. Herrnstadt.

Mr. Hinson, you are now recognized for 5 minutes to present your oral testimony.
STATEMENT OF DAVID HINSON, VICE PRESIDENT, INSTITUTE
FOR DIVERSITY AND EMERGING BUSINESS, U.S. CHAMBER
OF COMMERCE

Mr. HINSON. Chairwoman Waters, Ranking Member McHenry, and distinguished members of the committee, I am pleased to testify today on the importance of reauthorizing the Export-Import Bank. I am here on behalf of the United States Chamber of Commerce, the world’s largest business advocacy organization, which represents the interests of over 3 million businesses of every size, sector, and in every State.

I also come to you as a former National Director of the Minority Business Development Agency in the U.S. Department of Commerce, where I focused on supporting the unique export capabilities of our nation’s 11 million minority-owned and operated businesses.

You have heard the fundamentals of the ongoing debate on Ex-Im reauthorization. Ex-Im provides financing and guarantees for exporters that directly support American jobs at no cost to the U.S. taxpayer. Nearly 90 percent of Ex-Im transactions are with small and medium-sized businesses, and approximately 20 percent of Ex-Im transactions are with women-owned and minority-owned businesses.

What is alarming the business community today is the idea that U.S. companies will be forced to operate in the ultra competitive global marketplace without an official export credit agency. Consider how this would put specific sectors and industries at a competitive disadvantage. First, shutting down Ex-Im would mean many small businesses couldn’t export at all, because commercial banks often refuse to accept foreign receivables as collateral for a loan without an Ex-Im guarantee. For these small businesses, Ex-Im isn’t just nice to have; it is critical to the success of their export opportunities.

Second, it is common for expensive capital goods such as Canadian airplanes, Chinese trains, and Russian nuclear reactors to be sold worldwide with backing from their national export credit agencies. Even before the lapse in Ex-Im’s charter in 2015, major tenders for locomotives, turbines, jets, and nuclear reactors were slipping away from U.S. exporters. These tenders, worth hundreds of millions of dollars, require that the supplier finance the significant portion of the transaction.

Chinese competition in particular has been fierce, and they come well-prepared with generous financing from one or several Chinese government-sponsored export credit agencies. Again, for large ticket purposes, the calculus could not be more clear: No Ex-Im, no sale.

Another example of a sector that would be decimated by the loss of Ex-Im is the nuclear power industry. Nearly all business opportunities in nuclear power are overseas, and export credit agency support is required simply to bid on a nuclear power plant tender. So for many companies in the U.S. nuclear industry, which directly employs more than 100,000 Americans in high-skilled, high-paying jobs, it is essentially the Ex-Im Bank or die.

Finally, the Ex-Im Bank is vital to the growth of minority-owned and women-owned exporters. According to the most recent statistics, there are over 28,000 minority-owned exporters, a growing
number of which are African American-owned and Hispanic-owned companies, and 30,000 women-owned exporters. These firms export products and services valued well in excess of $30 billion. They export to over 100 countries, and they export products ranging from airline spare parts to wellness and nutritional products. These companies rely almost exclusively on Ex-Im credit and insurance products to support their growth.

As many diverse companies export to emerging markets, Ex-Im Bank is their sole source of export financing support. In an environment where minority-owned and women-owned companies continue to struggle with access to capital, not authorizing the Ex-Im Bank would serve to further cripple the growth of America's job-creating diverse businesses.

In closing, Ex-Im is vital to leveling the playing field for U.S. exporters. The discussion should not be if the Ex-Im Bank should or should not be reauthorized. The discussion should be around how do we reposition Ex-Im to be more effective, efficient, and responsive to the needs of small, medium-sized, and the growing number of women-owned and minority-owned exporters so that they are better-positioned to sell their U.S. products and services to the 95 percent of the world's consumers who live outside of the United States.

The U.S. Chamber of Commerce looks forward to working with Congress to secure Ex-Im's reauthorization before September 30th. Thank you.

[The prepared statement of Mr. Hinson can be found on page 74 of the appendix.]

Chairwoman WATERS. Thank you, Mr. Hinson.

Mr. Kamphausen, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF ROY D. KAMPHAUSEN, COMMISSIONER, U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

Mr. KAMPHAUSEN. Chairwoman Waters, Ranking Member McHenry, and distinguished members of the committee, thank you for the opportunity to appear before you today to share my views on China's economic policy as reflected in its Belt and Road Initiative, important context for your deliberations regarding reauthorization of Ex-Im Bank.

These views are my own and do not necessarily reflect those of the U.S.-China Economic and Security Review Commission, where I serve as a commissioner, although they are certainly informed by the Commission's body of past and ongoing work. My testimony is also informed by my work at the National Bureau of Asian Research, which has done important studies on the Belt and Road Initiative (BRI), including the seminal study on the Belt and Road, "China's Eurasian Century," written by my colleague, Nadege Rolland.

A year and a half ago, in testimony before the House Committee on Foreign Affairs, I argued that the BRI represents a test case for China's vision for new international order throughout Eurasia and possibly even the world. Today, China has demonstrated that it intends for the BRI to be, not merely a regional initiative, but a global one. China has extended the BRI into the Western Hemisphere,
Europe, and the Arctic, and has launched what it calls a digital silk road and even a space silk road.

More broadly, China has used the BRI to promote its global influence in areas from increasing market access and setting standards for emerging technologies to controlling global media markets, exporting authoritarian-enabling surveillance technology, and so forth.

Indeed, Chinese President and Communist Party General Secretary Xi Jinping declared last year that the initiative serves as a solution for China to improve global economic governance and build a “community of common human destiny”, a concept breathtaking in breadth and scale to recast the international system in China’s mold.

Let me briefly focus on several factors. First, although Chinese officials like to talk up BRI as a boon to global development, and BRI investment may well provide some of the necessary resources for urgent infrastructure investment shortfalls throughout Eurasia, from Beijing’s perspective, BRI is designed primarily to boost the competitiveness and innovative capacity of Chinese companies by opening up new markets and then promoting adoption of Chinese technology standards there.

BRI is closely aligned with China’s economic development plan, such as the 13th 5-year plan and the Made in China 2025 initiative. Indeed, BRI directly targets at least half of the 10 key high technology sectors in the Made in China 2025 strategy.

Telecommunications is a particularly notable example of China’s efforts to sell technology in BRI markets and beyond where companies like Huawei, China Mobile, and ZTE set standards and then dominate markets as Chinese national champions.

Now, China’s policy and state-owned commercial banks do not operate the same way as banks in liberal economies do. Policy, not profit maximization in all cases, underpins decisionmaking. In practice, this means that favored industries and companies like Huawei often receive subsidized financing, and projects promoted by the government get preferential access to capital.

BRI is also a tool to promote political and military influence. In countries from Africa, to Europe and the Western Hemisphere, China has used BRI partnerships to expand its influence into local media markets and export digital surveillance technology and other means of social control.

As China has perfected its application of these tools at home, including the use of AI and big data to support its detention of more than a million Uighurs in western China, it has also increasingly exported these surveillance methods abroad, including through the digital silk road.

On the security side, Chinese leaders have reinforced the military significance of the BRI and potential military utility of BRI investments in ports, airports, and railways.

Now, almost from its inception, BRI has raised concerns. Questionable projects, terms, use of Chinese companies, and workers and debt sustainability issues. Indeed, most of China’s state lending overseas is based on commercial non-concessional terms and frequently can create debt sustainability issues. China often makes deals that are disadvantageous to local countries. And in recent
11

months, we have seen pushback from countries like Malaysia, Myanmar, and Kazakhstan.

Despite concerns, BRI remains a means for extending China’s political, economic, and military influence abroad. The geographic ambition and variety and scale of projects may make it seem like BRI is an insurmountable challenge to the global order. This is not yet true, but the U.S. and her allies must be vigilant in monitoring Chinese activities and relentless in protecting our interests.

Thank you. I look forward to your questions.

[The prepared statement of Mr. Kamphausen can be found on page 81 of the appendix.]

Chairwoman Waters. Thank you, Mr. Kamphausen.

Ms. Sharma, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF ARCHANA SHARMA, CHIEF EXECUTIVE OFFICER, AKAS TEX, LLC

Ms. Sharma. Chairwoman Waters, Ranking Member McHenry, and members of the committee, thank you for inviting me here today to testify about how we work with the U.S. Export-Import Bank and how it has helped us.

I came to the United States in 2005 from India with my husband and children. We were both high-ranking professionals in India. I found employment as director of quality control at Osteotech, Inc., later Medtronic, a company that makes medical devices from donated human bones and tissues. My husband is a textile engineer who found work in a textile manufacturing company in New Jersey, which declared bankruptcy and closed in 2010. That is when we decided to get into manufacturing our own fabrics.

The recession was at full peak, and no bank was willing to lend us the money. We took a leap of faith and invested our entire savings in our business. Our first batches were ready by the fall of 2010. My son created the website and my daughter wrote a blog to attract customers to the website. I did the planning in my spare time, and my husband ran production and sales. The four of us were co-owners, but the vision and the strategy was mine, so I became the chief executive officer.

During my vacation time and weekends, my husband and I made visits to potential customers, makers of reusable cloth diapers. And that is where our first big order came from. Within 1 year, the fabric became a bestseller, by our modest standards, and it was deemed to be the best in the market. We had to keep prices competitive with overseas imports. So our margins were low, but our confidence in the quality of our fabric was high.

In 2012, I acquired a Canadian company, Wazoodle, with an online web store, and added more fabrics to our product lines. I am now the CEO of both of the businesses. We invested our earnings back into the business and developed more specialty fabrics.

AKAS is a textile manufacturing company now with expertise in design, engineering, raw materials sourcing, and fabrication. Our experience in fibers, lean manufacturing, quality, and supply chain, and our focus on sustainability have made us a global leader in specialty fabrics that are safe for the environment and safe for end-users. Our business designs and produces high-performance, cus-
tom-made fabrics desired by entrepreneurs and industry giants alike.

We also make our own lines of fabrics and have engineered some of the top brands for absorbency, food safety, waterproofing, organics, athletic performance, anti-microbial protection, and more. And these go in a wide range of fabrications: in the automotive, apparel, food, furniture, industrial, healthcare, oil, hospitality, and the military.

Made from the best yarns available, our textiles have gone up in space with the astronauts, and they have been part of the winter Olympics torch. They are used in gear for America's Armed Forces. And they perform every day throughout the world to meet mil spec, food-safe, flame retardant, and other U.S. certifications. We are one of the few textile manufacturers in the United States that sources our own materials in the USA, and we partner exclusively with American mills for production. And that is because our mission is to create jobs in America.

In our manufacturing journey, we came across other small textile businesses that had machines to finish fabrics but they were sitting idle, so we partnered with them to create a supply chain.

By 2013, we were exporting some of our fabrics and had maybe six overseas customers in four countries. Orders had to be paid for in advance, so that limited our sales. We could not offer credit terms, because we had no way of recovering the money if our foreign buyers defaulted on the payment.

I was introduced to the Ex-Im Bank in 2013 at a trade seminar and learned about the export credit insurance program. That came as a blessing to us as it has enabled us to offer credit terms to international customers and encourage them to place larger orders. The customers saved on shipping costs in ordering larger amounts, and we were able to give them volume discounts. It was a win-win situation.

Now that we could offer credit terms to overseas customers, it leveled the playing field and gave us an edge over international competitors, because the quality of our U.S.-made fabrics was superior. Ex-Im’s team of professionals has been invaluable in helping us navigate its export tools, and we have benefited immensely by using Ex-Im Bank.

In 2011, we had six overseas customers in four countries. Today, we have more than 800 customers in over 60 countries. We are very proud of our American textile industry and grateful to our vast supply chain of textile businesses. We work with over 50 small mills. And I am happy today to recommend Ex-Im Bank to other small businesses so that they also are able to use the resources.

I am sorry I am out of time. In closing, I would like to thank you all for listening to me. And I would like to thank the Ex-Im Bank for helping a small business like ours compete globally and export American-made goods. I would be happy to answer any questions.

[The prepared statement of Ms. Sharma can be found on page 89 of the appendix.]

Chairwoman WATERS. Thank you, Ms. Sharma.

Mr. Wilburn, it's good to see you again. You are now recognized for 5 minutes.
Mr. WILBURN. It is a pleasure, Madam Chairwoman.
Chairwoman Waters, Ranking Member McHenry, honorable members of this committee, committee staff, invited guests, and members of the public who are here today, it is an honor to be here before you to speak on one of the most critical issues I think is facing small business exporters today, and that is the reauthorization and fully functioning establishment of the Export-Import Bank of the United States.

My name is Steve Wilburn. I was born December 19, 1948. I am the oldest of nine kids. My father served honorably in World War II. He worked his way through college at the age of 42, getting his degree. He gave us an example, a hard-work ethic.

I grew up as a minority. I talked to Chairwoman Waters about this. I grew up in East St. Louis, Illinois. East St. Louis, Illinois, is primarily a Black community, so we joke about that. But it is not a joke. I learned at an early age that there were issues based on racial and economic barriers. I have fought my entire life to overcome those racial and economic barriers.

After graduating from high school, I enlisted in the United States Marine Corps in 1967. I fought in Vietnam as an infantryman, and was wounded. I was medevaced back to the United States, and spent 9 months in the Great Lakes Naval Hospital. And I am here today as a 100 hundred percent disabled veteran. And I am also a small business owner.

I am the founder and chief executive officer of FirmGreen. FirmGreen is a company that I established to take advantage of some patents that I had created in the area of renewable energy and energy storage. We found out that those particular items were of particular interest overseas.

Our country is blessed with an abundance of energy resources, especially lately. We have natural gas resources. We have oil resources. Most of the places I do business with are energy-poor. They are economically disadvantaged. They are also poor when it comes to energy and energy infrastructure. My company helps fill that void.

Fundamentally, I am an energy executive and an inventor. I am always curious about things, and I try to improve those types of systems that I see that are inefficient.

As a sort of reference, I spent 2 years on the advisory board of the Export-Import Bank as a small business representative. I also recently completed a 2-year term on the Trade and Finance Advisory Council to the Department of Commerce. While I served on that, I was primarily interested in what was happening in the trade enhancements offered by China and South Korea, two of my major competitors worldwide. We issued reports and gave direction, hoping some of it would be acted upon, to Secretary Ross and the Department officials.

More importantly, I come here today to put a face, although your face is much better, as a small-medium exporter, Ms. Sharma. With my old weathered face, I want to tell you that I represent thousands of small business owners who are also exporters. We are the backbone of this economy. We create jobs. We bring ingenuity.
We bring creativity. More important, we don’t just export goods and services overseas. We export hope. We export a vision of what their country could be from a democratic standpoint if they were free to exercise democracy like we do in this country. They don’t have those opportunities. I am most proud of exporting hope.

When I looked in the eyes of the children at the Gramacho landfill in 2011—we were invited to build a gas plant there. They picked a living out of the trash. There is an infamous documentary—please, I encourage you to look at it—called, “Waste Land.” These children and their mothers worked and toiled in that landfill pulling out recyclable materials. Some of them died in that landfill as a result of that, being run over by bulldozers.

When I went there, I said I would participate in the bid project. We used Ex-Im Bank as a backbone in order to get to the bid, but I insisted that they pay the children and the mothers in order for us to participate to relocate them. The government paid them $25 million as a result of us drawing a line in the sand.

So when we talk about the Export-Import Bank, and we talk about these things, I wanted to put a human face on it. When I look in the eyes of the children and the mothers and the people that I work with overseas, we bring them hope, not just goods.

Thank you, Madam Chairwoman.

[The prepared statement of Mr. Wilburn can be found on page 95 of the appendix.]

Chairwoman WATERS. Thank you very much.

I will now recognize myself for 5 minutes for questions.

Mr. Wilburn, you came before our committee almost 5 years ago. At that time, I entered into the record a letter you received from a potential buyer regarding a project you bid on. Unfortunately, despite your clearly superior product, the buyer went with a foreign supplier because they were certain to get financing from a foreign export credit agency.

How has the uncertainty around Ex-Im affected your business?

Mr. WILBURN. It has been tragic, Madam Chairwoman. Since that letter—that was a $57 million project that we lost to the South Koreans. That was on the heels of our successful $49 million Ex-Im Bank facility in Brazil. We have been invited in a number of countries as a result of that work that we did perform.

Since then, we have also lost, in the Philippines, 275 megawatts’ worth of solar projects. We were selected by the Department of Energy, and in 2017, issued contracts to proceed contingent upon ECA financing. That never materialized because of the Bank.

And that is just a few of the examples, Madam Chairwoman, of the impact of a nonfunctioning Export-Import Bank on my business.

Chairwoman WATERS. Thank you.

Could you expound a bit on the impact to your workers when decisions like that are made by foreign buyers?

Mr. WILBURN. My workers are like family. I am a small business. So when I have to lay off people because of my inability, I take this as my responsibility to perform as the CEO. We are down to 4 employees today from a top of 35. We are struggling to survive, but we are surviving. This Marine doesn’t quit. I am going to adapt,
I am going to improvise, and I am going to find a way to get those opportunities.

And if this committee and the Congress would be so gracious as to put the Ex-Im Bank in a fully functioning status, I am sure I can increase the number of jobs, and bring back those family members—I don’t mean directly related family members, but those employees that I lost.

Chairwoman Waters. Thank you.

Ms. Sharma, I want to thank you for being here today also and sharing your story. Can you explain why you have made the decision to keep your supply chain in the United States? And how does Ex-Im enable you to compete effectively, especially against sellers who might have lower-cost products?

Ms. Sharma. Thank you, Madam Chairwoman. I would like to really explain that. When we came to the United States, we came to adopt this country as our own. So when we started this business, the idea was not to bring fabrics from overseas. I learned the textile industry in the United States used to be great a long time ago. In the 1990s, the work went overseas, and many of the mills closed down.

In our manufacturing journey, we found many small mills, knitting mills, and finishing houses, many of which were not used. The machines were sitting idle. Maybe one-third of the building was being used. That is when I talked to my husband. I said, “What if we use these machines to make our fabric and design the fabrics, because they don’t have the ability to export or make fabrics even.”

So, we started designing our own. And these are the mills that we use. And the people out here are so knowledgeable.

They have so much innate experience that was not being used, so we decided to use that. And we thought if we put up one machine, we can make one kind of fabric. But if we use the idle machinery of America that is not being used to manufacture these, we can make a whole bunch of so many different kinds of things and be able to showcase the excellence of U.S.-made products.

And the American worker is really hardworking. The quality of those mills is outstanding. We don’t have a quality control department because we don’t have to. Our supplier’s chain takes care of it. People don’t have to inspect our fabrics when they come in. They don’t get bad quality fabrics. They wouldn’t even send them to us.

So we believe in those mills. And that is the reason we decided to keep the entire supply chain within America. And that has allowed us to really develop a whole different range of fabrics that is not there anywhere in the world. And that is the reason why, Madam Chairwoman.

Thank you.

Chairwoman Waters. Thank you very much.

The Chair now recognizes the distinguished ranking member, Mr. McHenry, for 5 minutes for questions.

Mr. McHenry. Thank you, Chairwoman Waters.

Mr. Kamphausen, in your testimony, you note how Chinese banks have provided subsidized financing for 5G globally. And including—especially Huawei’s actions globally.

So as we seek to prevent China from setting the network standards for the future, what can we do to better promote our compa-
ancies’ competitiveness? And what can we do to cooperate with allies to ensure that Beijing doesn’t militarize these new technologies?

Mr. KAMPHAUSEN. Thank you, Ranking Member McHenry. I think it is important to understand the differences in the Chinese system, perhaps, at the outset. China is not a party to the OECD arrangements, and so it is not constrained by the reporting and accountability procedures that the United States and her allies would be, for instance. They also disaggregate and diversify their export credit support in ways that require some effort to fully understand it. They provide export credit insurance through SignAssure, which has provided up to $500 billion in assistance in the last 6 years.

There is a China ex-im bank. And our own Ex-Im Bank has estimated that they have provided, in 2017, about $36 billion in export credit finance. But they also use Chinese policy and development banks to provide export credit assistance. And this is where it becomes especially difficult to understand or to aggregate what they are providing.

For instance, U.S. Ex-Im Bank estimates that China Development Bank provided Huawei, a company that is a global leader and a competitor for 5G, a huge amount of export-like financing, and totally, perhaps, up to $10 billion a year.

I noted in my testimony that Huawei undercut Ericsson in The Netherlands very recently, I am sure you have seen this, by 60 percent; terms that were only possible because of the use of export credit finance that it had gained from Chinese development and policy banks.

I think the first step is to understand the nature of what we are competing with, and I think that will make some important progress.

Mr. MCHENRY. First to understand, but what do you do in response? What should we do as policymakers to ensure that we are responding and competing on 5G?

Mr. KAMPHAUSEN. 5G is a complex issue, as there are advantages to being the early leader, both in terms of the patents that will then provide resources and require payments down the line. I think we need to think wholistically about the opportunities that 5G represents. And so, the opportunities that this committee is considering I think are important ones as well.

Maybe I can get back to you with some more concrete examples.

Mr. MCHENRY. Ms. Dempsey?

Ms. DEMPSEY. If I could add to that, I think one of the most important things that we are hearing from our manufacturers is assuring robust competition in this market and supplier diversity. No one wants to be limited to a sole-source supplier, and we shouldn’t have our allies similarly being limited to sole-source suppliers.

So in the context of this hearing, and the Ex-Im Bank reauthorization, is there more that the Ex-Im Bank can do to promote our exports, to promote our participation in the development of 5G internationally in a way that promotes competition, prevents sole-source suppliers, like what we have been talking about, and really has more supplier diversity, I think there are some ways we can do that.
Mr. McHenry. Mr. Wilburn, are there ways that we can simplify the paperwork requirements for small businesses so they can better access Ex-Im Bank financing?

Mr. Wilburn. Ranking Member McHenry, that is an excellent question, because it is overwhelming for a small business to comply. But I understand the need for due diligence and proper vetting of all these—

Mr. McHenry. What does the paperwork look like?

Mr. Wilburn. What does the paperwork look like?

Mr. McHenry. Massive. So we could simplify that process a little bit.

Ms. Sharma, would you agree?

Ms. Sharma. Absolutely, I would agree with that. It is very daunting for small businesses like us, and even micro businesses, that our customers are able to complete paperwork and go to a bank. It is really daunting. To make it simpler would be much—

Mr. McHenry. Sure. There should be a technology solution, as we remove forward, and a mandate on Ex-Im to actually come to, really, the private sector standards for completing these loans and application reform.

Thank you, Chairwoman Waters, for holding this hearing. Thanks for your engagement on this. And I look forward to continuing the bipartisan approach that this committee is desirous of on Ex-Im.

Chairwoman Waters. Thank you very much.

The gentlewoman from New York, Ms. Velazquez, is recognized for 5 minutes.

Ms. Velazquez. Thank you, Madam Chairwoman. And I just want to take this opportunity to also thank the ranking member for this important hearing.

Ms. Dempsey, while I am a strong supporter of the Bank, I believe it should be doing more to provide financing opportunities for businesses in Puerto Rico and the other U.S. territories. They are all U.S. territories.

For example, since 2014, the Bank has provided only $65 million worth of financing to only 29 businesses in Puerto Rico. This compares to the Bank’s total financing of $37 billion to more than 4,900 businesses over the same period.

How can we help the Bank provide more financing opportunities for businesses in Puerto Rico that are American businesses and the other territories?

Ms. Dempsey. Thank you, Congresswoman. I would love to work with you, and certainly with the Ex-Im Bank, on opportunities to grow Ex-Im’s ability to help exporters in every State and Territory and Puerto Rico. Part of it, I think—one of the things we have seen with our small businesses that haven’t used Ex-Im or aren’t exporting is first making them aware of these opportunities. As you heard from Ms. Sharma, she wasn’t aware of it. We have had lots of companies who, when they started, when they found Ex-Im, they were able to double and triple, not just their exports, but their employment. And so that is really important.

I think getting more word out, and I am happy to follow up with you and work on a plan for that.

Ms. Velazquez. That would be great.
Mr. Herrnstadt, do you have any recommendations for how we can help the Bank improve financing opportunities for businesses in Puerto Rico and the other U.S. Territories?

Mr. HERRNSTADT. I would agree with what has just been said. I think the question is making sure that we have enough reach that people know that the Bank is there, that the Bank can give support, and then to make sure it happens.

Thank you.

Ms. VELAZQUEZ. Thank you.

Ms. Dempsey, in Fiscal Year 2018, Ex-Im approved more than $451 million in support of minority- or women-owned businesses, accounting for 21 percent of all the Bank's small business authorizations. While I am very supportive of this number, I believe the Bank can improve in this area as well.

What recommendations do you have for improving the Bank's outreach on financing opportunity for minority- and women-owned businesses?

Ms. DEMPSEY. Thank you, Congresswoman. Manufacturers very much support diversity in our own workplaces and the diversity of women- and minority-owned and other manufacturers here. And there is work that the Ex-Im Bank is doing. I just participated at a small business roundtable on Friday with the new Chair of the Ex-Im Bank, Kimberly Reed, and was talking with her staff and the Chairman about ways to get more word out on these issues.

We work with a lot of these types of businesses at the NAM, and we have a lot of contacts that we are going to be willing to share and working on some outreach efforts in that way.

Ms. VELAZQUEZ. It is not only the outreach and providing the information, it is a commitment from the Bank to make it a priority, because after all, most exporters are small businesses.

Ms. DEMPSEY. I agree. I urge you to talk to the Bank and the new chairman. I believe that there is that commitment. That is what I heard on Friday. But, obviously, it would be important for you to have those conversations.

Ms. VELAZQUEZ. Ms. Dempsey, as the Bank was without a quorum for several years, and many of us here in Congress felt the Bank's operation were severely hampered by the lack of a quorum.

As we consider the Bank's authorization, what changes should we make, if any, to ensure the Bank's operations and its overall authority are not inhibited by the lack of quorum?

Ms. DEMPSEY. Thank you, Congresswoman. The loss of the quorum was devastating for many of our large and small businesses. I believe that to do a successful reauthorization, Congress needs to fix the quorum issue. The reauthorization needs to provide that the Bank will continue to be able to consider all deals going forward. There are many different ways to do this. There are ex officio members and others. I don't want to put myself in your place, but I think there are ways to do this.

Without that certainty of having a quorum, we are going to continue to lose sales.

Ms. VELAZQUEZ. Thank you. I yield back.

Chairwoman WATERS. The gentlewoman from Missouri, Mrs. Wagner, is now recognized for 5 minutes.

Mrs. WAGNER. Thank you, Madam Chairwoman.
And thank you to our witnesses for joining us today to talk about renewing the Export-Import Bank. A special thank you to Commissioner Kamphausen for your expertise on this issue and for mentoring my excellent legislative director, Rachel Wagley, who previously worked for you at the National Bureau of Asian Research before I hired her away.

This is an incredibly important discussion, with major implications for America’s economic output and competitiveness in global markets. For reauthorizations of any kind, Congress must take the opportunity to consider whether any reforms or changes are warranted.

I want to focus today on better understanding how Ex-Im’s financing helps us compete with China’s global export credit subsidies. China’s industrial policy, Made in China 2025, is aimed at rapidly expanding its high-tech sectors and developing its advanced manufacturing base.

Mr. Kamphausen, can you explain how the Chinese government uses its banks and state-owned enterprises to pursue its strategic priorities, including Made in 2025 and the Belt and Road Initiative?

Mr. Kamphausen. Thank you. And thank you for the opportunity to remember my time with Rachel.

If we think of the Chinese system in a comprehensive way in which policy and financing are intertwined, I think that helps us have a sense for how the Chinese leadership can describe its priorities, and then, in a very seamless fashion, the variety of export assistance financing tools then can achieve those national priorities. And so it is the case that policy drives investment much more than simply the investment opportunities themselves.

I have often said that in 15 years, Eurasia will be littered with failed BRI projects, precisely because the Chinese leadership intended for there to be funding and finance for projects. And whether they resulted in meaningful and useful projects in the end was not as consequential as the fact that the loans were made in the first place.

It is important to understand that very different approach. It is not to say that the Chinese are looking to lose money. It is to say that policy drives investment to a much greater extent than—

Mrs. Wagner. Commissioner, to that point, in the past decade China has helped finance at least 35 ports, 63 coal-fired power plants, 41 pipelines and oil and gas infrastructure pipelines, as well as 203 bridges, roads, and railways. In total, over 600 global projects have been partially or fully backed by the Chinese government.

Ms. Dempsey, there is concern that many of China’s infrastructure investments are predatory and involve opaque terms and conditions, since China does not comply with the 1956 Paris Club standards. How do you think we can help draw China into better adherence with international norms, including those surrounding debt transparency in particular and responsible lending?

Ms. Dempsey. Thank you, Congresswoman. I couldn’t agree more that the loss of these types of projects and U.S. involvement is costly to our businesses, our workers, but also our broader interests as a nation as we are going forward.
The first thing that I believe Congress has to do is reauthorize, for a lengthy period, a robust Ex-Im Bank. We cannot compete and draw China to the negotiating table successfully from a stance of weakness. If we don’t have a reauthorized, robust Ex-Im Bank, China has no interest in negotiating with us.

That being said, there is work that is being done with the G12 group of countries, including China, to bring them to the table, to stop the subsidized financing, to stop the predatory activities, and to improve transparency. I talked to Chairman Reed about this on Friday. There is a commitment there, but the first thing we have to do is get this Bank up and running for a long time so China knows that we are serious.

Mrs. WAGNER. Thank you, Ms. Dempsey.

How much export credit financing does China offer annually? Do , off the top of your head?

Ms. DEMPSEY. I might turn to Mr. Kamphausen, if he has that number.

Mr. KAMPHAUSEN. It is really hard to estimate because of the very disaggregated way they do it, but probably in excess of $50 billion a year.

Mrs. WAGNER. Wow. All right. My time has expired. I thank the witnesses, and I yield back.

Chairwoman WATERS. Thank you very much.

The gentleman from Texas, Mr. Green, who is also the Chair of our Subcommittee on Oversight and Investigations, is recognized for 5 minutes.

Mr. GREEN. Thank you, Madam Chairwoman. I thank the ranking member as well. And I would like to acknowledge my support for the Ex-Im Bank. I believe that it has served a meaningful purpose. And I am also very pleased that we are making this bipartisan effort to do what Ms. Dempsey has indicated and to make sure that we have a robust Ex-Im Bank going forward.

The Ex-Im Bank is quite unique. It makes deposits. Other banks receive deposits; it makes deposits. It is estimated that the Ex-Im Bank in 2019 will remit $614.4 million to the U.S. Treasury, and this is after expenses and expected losses. Since 2000, the Ex-Im Bank has generated $14.6 billion to the Treasury—some things bear repeating—$14.6 billion to the Treasury, and has a very low default rate, which averages at about .3 percent.

Usually, the argument for not extending some entity is that it is losing money or it costs too much, but we have a functioning facility that is making a difference in the lives of Americans, and providing jobs. In my congressional district alone, the Ex-Im Bank has made a difference, and my guess is most of us can make similar claims. So the question becomes not whether we should extend it, but how do we do it and make it even better to the extent that we can?

Ms. Dempsey, you used a term that I like. You said “robust.” Would you kindly give some indication as to your definition of “robust”?

Ms. DEMPSEY. Of course, Congressman. Thank you. “Robust” means for a lengthy period.

Mr. GREEN. What is a lengthy period, if I may ask?
Ms. DEMPSEY. If I wrote the rules, I would talk about 9 or 10 years. We need that certainty. And when our small manufacturers in particular saw the gaps and saw the weakness in the Ex-Im Bank they turned away from exporting, and that is not what we can have if we are going to continue to have robust manufacturing job growth in America. I would like to see as long as Congress can do.

Second, not having the disruptions. The quorum issue I was discussing with Congresswoman Velazquez, solving that problem as part of the legislative mandate is critical.

Then, I think it is important to look at other ways to revitalize. In 2015, Congress lowered the cap for authorizations to $135 billion. Is that something that Congress needs to look at again in the face of this growth that we are seeing in these foreign state-owned export credit agencies, particularly China, which is much, much more active than we are?

If we are going to put our manufacturers on as strong a footing as possible, we need to look at that issue. We need to be growing our support here, particularly for all the reasons that you mentioned: that it is returning money to the Treasury; that it has a low default rate; and that we have put in additional controls on risk management, on ethics. That was all done in 2015.

And then, are there other flexibilities that the banks should take to be able to more nimbly counter the threat that we are seeing out of these foreign export credit agencies? And then, I go to our small businesses witnesses, is there more we can do to cut red tape for small businesses so more and more of our small businesses can export and use these opportunities to help us grow jobs?

Mr. GREEN. Does anyone else have an opinion with reference to the length of time that we should extend?

Mr. WILBURN. Congressman, with all due respect, I think it should be for—I agree with Ms. Dempsey. It should be for as long a period—7 to 10 years would be, I think, something that I would feel would give a clear message to my overseas clients that we are serious, that the Agency won’t have the rug pulled out from under them, like happened to me in the Philippines and some of the other areas, especially Africa.

Right now, I am working on a number of projects. We have invited in what ECA is mandated for us to participate. China is there investing billions in infrastructure. So my answer is, as long as possible, sir.

Mr. GREEN. I would like to thank everyone, especially those who are engaging in this bipartisan process. I think it can be meaningful, and I support the Ex-Im Bank. Thank you.

Chairwoman WATERS. The gentleman from Oklahoma, Mr. Lucas, is recognized for 5 minutes.

Mr. LUCAS. Thank you, Madam Chairwoman. And I thank you and the ranking member for holding this hearing. I very much appreciate it.

I think most of my colleagues who have been in Congress for any period of time know that I am a farmer by trade, and therefore I am an eternal optimist. It will rain when you need it, and the sun will shine when you need it. Therefore, that same level of optimism brings me to believe that shortly, we will reauthorize the Export-
Import Bank and that reauthorization is literally inevitable, because we as Member of Congress want to move the economy forward and create opportunities for business and those people who make their livelihood from those businesses back home. Export-Import reauthorization does exactly that.

And the district I represent, the Third District of Oklahoma, is agriculture and energy. Yes, we are oil and gas, and we are wheat and cattle and cotton and a whole variety of things. But one common thread in my district economically is we produce more energy and agricultural products than we can possibly consume, and we have to have the ability to move our products into the world markets if we are going to have a price.

Now, I am a strong supporter of the Export-Import Bank simply for that very reason. As an aggy, I have to sell into the world markets. Manufacturing in this country has to have the ability to sell into world markets where they won’t have a price either, and the folks who work for them won’t have a job either.

To the panel, I ask the following question—and note that I understand in these hearings we tend to discuss things several times in a row. But part of educating my colleagues, myself, and the process we work through, is repetition, consistency, and focus, burning it in, so to speak.

So I ask the group, how vital is a healthy Export-Import Bank for global competitiveness for our exporters here in the United States? And, again, reinforce, if you would—and if you disagree, I am going to be horrified—particularly why a long-term reauthorization is so important compared to this knee-jerk 2- or 3-year stuff we have been going through recently. The floor is yours, ladies and gentlemen.

Ms. Dempsey. Let me just start. The reauthorization of the Ex-Im Bank is vital to thousands of small businesses and tens of thousands of suppliers to large businesses every year, and hundreds of thousands of workers across the country. And if we don’t do it for a long period of time, a certain period of time, we are going to risk our jobs, we are going to leave our manufacturers and our farmers and our energy producers outside while other countries fill the void.

Mr. Lucas. Absolutely. Ms.—

Ms. Dempsey. One more—sorry. One more thing I would like to add is when we do our strategic planning, we do it for a longer period of time. So when we are developing something and trying to export it overseas, there is a time period to it. And when you start seeing the results—by the time you start seeing the results of that, at that time if there is uncertainty, then whatever you have invested into that business is kind of lost. So it is important to have a long-term plan and a long-term, secure approach to authorizing the Ex-Im Bank.

Mr. Lucas. Absolutely.

Mr. Hinson, you testified and explained that Export-Import works at no cost to the American taxpayer, correct?

Mr. Hinson. Yes, sir.

Mr. Lucas. Maybe I should just leave my colleagues with this thought, which is, in this session of Congress we are working with what our media friends like to refer to as a divided Congress—
Democrat House, Republican Senate—and that, of course, makes it more difficult to force things through.

I would argue, again, as that eternally optimistic farmer whose glass is always half full, that that makes it easier to achieve consensus. Consensus. And we are lucky that Export-Import reauthorization until the last few years has traditionally been one of those consensus processes where for reasonable periods of time we have reauthorized the program.

I would just simply conclude by saying to my colleagues once again, we need to do this. We have to do this. We have no other choice but to do this. Let’s achieve the reforms that are doable, but let’s not create something so complicated, so cumbersome, and so inconsistent that it is unusable. Because not only does that hurt our competitiveness from a business perspective around the world, it hurts every individual whose livelihood is affected, impacted by manufacturing and world trade. We cannot let that happen on our watch.

Madam Chairwoman, Ranking Member McHenry, thank you for this hearing. Thank you for what I believe is about to happen. Let’s just get on with it. I yield back.

Chairwoman WATERS. Wow. Passion, enthusiasm.

The gentleman from Missouri, Mr. Cleaver, who is also the Chair of our Subcommittee on National Security, International Development, and Monetary Policy, is recognized for 5 minutes.

Mr. CLEAVER. Thank you, Madam Chairwoman. I probably won’t have the same enthusiasm as my colleague, but that is visible.

Let me ask all of you this question. Based on my experience here, we go through this imprudent and self-torturing system of setting dates to renew the National Flood Insurance Program, and the debt ceiling. We are the only nation on the planet that allows our debt to run out and then Congress fights over it.

How many of you would agree that, in terms of our competition with China and others, maybe we ought to have an open-ended system whereby we have a review every 3 or 4 years, because Congress can discontinue any program that it wants to discontinue?

So if we just approve this like we do everything else that we really believe in, in the 12 financial services agencies that we deal with, then everybody would—would even remotely consider funding the IRS for 3 years or the OCC for 4 years. How many of you would agree that an open-ended deadline and a review process would be healthy in terms of dealing with our international competition?

Anybody?

Ms. DEMPSEY. That proposal would certainly add so much more certainty to the process and help revitalize. I would just urge—we want to see this done quickly, and we want to see it done on as bipartisan a basis as possible.

Mr. CLEAVER. Does anybody disagree?

Mr. Hinson, I have a list of all of the subcontractors in my congressional district, and the only pain I have is the fact that none of these are companies that are either led by minorities or women, and so that causes me some pain. I am a strong and probably irreversible supporter of the Ex-Im Bank, but I think there has to be some intentionality about trying to make sure that there are sub-
contractors or contractors with Ex-Im Bank. What would we need to do and what could the U.S. Chamber do to help us?

Mr. Hinson. Thank you for that question. The U.S. Chamber is certainly committed to diversity, certainly committed to supplier diversity. The U.S. Chamber recently launched the office that I am a part of, the Institute for Diversity in Emerging Businesses, with a focus on supporting middle market diverse companies and helping them gain access to supply chains of corporations as well as governmental agencies.

It is a good question, and it is an important question because it speaks to the multiplier effect that these companies can have on the U.S. economy. It speaks to job creation. It speaks to essentially creating a much more level playing field for all businesses across the country. So, the U.S. Chamber certainly is supportive of anything that creates a level playing field, anything that creates a stronger, more robust, more consistent business environment.

Mr. Cleaver. Maybe we need to put it in legislation. Maybe we need to—it wouldn’t be something that I would prefer, but I am not sure that there is any other way to make sure that there is—that people are actually trying, if we had to depend on putting some kind of a section in the legislation that would require a level of participation, not unlike what the chairwoman did when she organized the OMWI, or any of the other Federal programs where we unfortunately have to demand that there is minority participation. Would you think that would be a way of—

Mr. Hinson. I think adding an OMWI office to Ex-Im Bank would be helpful. I think that directionally, you are correct. I think it is important to recognize that we don’t do anything to hurt the ability for businesses to grow of all sizes, positions, and states, but to enhance the economic opportunity that Ex-Im provides, particularly for fast-growing minority- and women-owned businesses.

So, yes, I think certainly, the U.S. Chamber would not look dimly on that, as well as the other things that were mentioned by the panel in terms of more training for minority-owned firms and exporting more outreach, all of those sorts of things.

Mr. Cleaver. Thank you.

Chairwoman Waters. Thank you. The gentleman from Missouri, Mr. Luetkemeyer, is recognized for 5 minutes.

Mr. Luetkemeyer. Thank you, Madam Chairwoman, and I thank all of you for being here today.

Ms. Sharma, in your testimony or your comments a while ago—right here—you indicated that you have about 50 small businesses that you buy stuff from in order to be able to assemble and manufacture your goods, is that correct?

Ms. Sharma. Correct.

Mr. Luetkemeyer. Mr. Wilburn, how many small businesses do you buy parts and things from to be able to do what you do?

Mr. Wilburn. In the Brazil project we bought exclusively from small businesses. There were 42 vendors; some of them were minority-owned and women-owned. We tried to accommodate that. But I would say the answer to your question is in the dozens.

Mr. Luetkemeyer. Okay. To me this is a weakness in the description of how we talk about Ex-Im from the standpoint we talked about how many direct small businesses it is helping. But
I can tell you, and in full disclosure here, I have Boeing, one of their plants in my district, and another one just outside my district.

To manufacture one plane takes 1,800 small businesses; and 67 of those small businesses are in my district alone. But 1,800 of those small businesses scattered around the United States rely on Boeing to be able to buy those parts, to be able to exist.

I would hope that down the road we can look at the numbers differently with Ex-Im from the standpoint of, how many direct small businesses that it is impacting. I think, Ms. Dempsey, you made the comment a while ago about thousands. Do you have some data on that, or are you just kind of pulling them out of the air, or are you kind of guessing where it comes from? Can you help me?

Ms. Dempsey. No. We know from the data of Ex-Im Bank that there are thousands of direct small business users of the Bank each year. But to your point, we don’t actually have the full numbers—and it is a bit hard to get—of how many small businesses supply to other—to the direct Ex-Im users. And you have heard from small businesses that themselves have 10, 50 small business buyers.

Mr. Luetkemeyer. For me, it wouldn’t be difficult to compile that number. I would have to just say, hey, who—who—how many—we just got the numbers here from these two and just have that as a number on your application. So, it gives Ex-Im a better way of disclosing actually how many different entities it is helping. Because I think that would really help sell all of us on the importance of that, and then finally get an understanding of how impactful it is in our districts alone when you realize that some of the parts that are being put together on those planes in my district are coming out of Mr. Loudermilk’s district or Mr. Lawson’s district over here. It would be helpful to us to have that information. So, thank you for that.

The second thing I want to talk about are caps. I know that there was a concern out there that there is a rough draft floating around that put caps on the amount of investment opportunities that can be taken advantage of by certain entities through the Ex-Im Bank. Again, I think it goes back to, we are helping lots of different manufacturers across—there is a broad spectrum of things here. Can you guys give me an idea on what your thoughts would be on that?

Mr. Hinson, you represent the U.S. Chamber of Commerce. This is a direct impact on all of the folks across-the-board on this.

Mr. Hinson. On the issue of caps, I should probably defer to Linda. She has the better knowledge on that position in terms of caps.

Mr. Luetkemeyer. Okay. Ms. Dempsey?

Ms. Dempsey. We have seen these proposals for some sort of caps or concentration limits or restrictions by firm, by sector. And I think, exactly to your point, doing so hurts jobs, hurts small businesses, hurts all businesses, and does nothing to counter the growing threat that we are seeing from these foreign export credit agencies.

Every time we say that a certain firm or a certain industry can’t use Ex-Im authorizations and Ex-Im tools, we are essentially out-
sourcing our manufacturing and jobs. And so, we have a lot of concerns down that road.

Mr. LUETKEMEYER. To me, this is important from the standpoint of getting at that argument, from the standpoint that if you understand all the other businesses that are impacted by the ability to finance a Boeing or a GE or a Caterpillar or whoever it is, those folks buy lots of other parts around the country, and I think that it would be helpful to be able to understand the importance of that issue with regards to caps.

Has there ever been a study done with regards to the potential of where Ex-Im could be? As we get these trade deals done at a level playing field across the world, how much potential is there for the United States to be able to become even greater—a greater manufacturer and exporter of goods and services and then have Ex-Im be a potential partner with them? Has anybody done any studies on that, the Chamber perhaps, or Ms. Dempsey?

Ms. DEMPESEY. I have not seen that study, but what we can use as a proxy is the export financing that our competitors are doing overseas.

Mr. LUETKEMEYER. Okay. The amount of business we lost, you are saying?

Ms. DEMPESEY. Yes. In a lot of these cases, we could have been supplying those products. During the period we didn’t have a quorum, Americon, a small company that makes school buses, lost a deal to Angola, putting workers at risk in the United States. That deal went to Brazil, not because they had better buses but because we couldn’t use Ex-Im.

Every time these foreign export credit agencies are winning deals, in most of those cases there could be a U.S.-competing product if Ex-Im is fully authorized, and is robust enough to compete.

Mr. LUETKEMEYER. Thank you very much. I yield back.

Chairwoman WATERS. The gentleman from Colorado, Mr. Perlmutter, is recognized for 5 minutes.

Mr. PERLMUTTER. Thank you, Madam Chairwoman. I have just a couple of comments and then a question. Ms. Sharma, I have to tell you, it tickled me when you talked about your son building the website and your daughter blogging about your products. So, that is how a company really gets started, a family company and it just—it sounded great.

This hearing—and I appreciate the testimony of everybody, but for me, this is so simple: We need to have an Export-Import Bank. The ideological arguments that have been made by some people in the Administration, by our former chairman just make no sense, especially in a world where we have China putting all sorts of money behind its companies, and Italy, Korea, South Korea, whatever.

It makes absolutely no sense to me and I guess my only question—I am kind of with Congressman Cleaver that we ought to just say we have an Export-Import Bank, and if a future Congress at some point says, no, we shouldn’t, then we will worry about it then. But let me just sort of get some numbers.

Ms. Dempsey, would you object—or how do you feel about a 10-year extension?
Ms. Dempsey. Manufacturers would very strongly support a 10-year reauthorization.

Mr. Perlmutter. Mr. Herrnstadt?

Mr. Herrnstadt. Yes, I agree, predictability, consistency, a fully funded bank with no caps would be absolutely admirable.

Mr. Perlmutter. Mr. Hinson?

Mr. Hinson. Always, an instance where you create a level playing field and consistency would be supported by the U.S. Chamber of Commerce.

Mr. Perlmutter. Mr. Kamphausen?

Mr. Kamphausen. From the perspective of the message it sends to China, I think that would be a very strong one.

Mr. Perlmutter. Ms. Sharma?

Ms. Sharma. Absolutely. That would really help us develop more fabric so that—I mean, we are here for the long haul. If Ex-Im is here for the long haul, it helps us better.

Mr. Perlmutter. Do your kids still work for you?

Ms. Sharma. Oh, yes, absolutely.

Mr. Perlmutter. All right. I was just curious.

Ms. Sharma. My son is there taking care of the business right now.

Mr. Perlmutter. All right. Good.

Mr. Wilburn?

Mr. Wilburn. Absolutely. Anything that would add certainty to the process for us, we support 100 percent.

Mr. Perlmutter. Okay. And I guess just as a Member of Congress on this committee for a long time, everything can always be improved. We can get rid of some of the paperwork. We can streamline it, all those kind of things, but that is just something you do from year to year with anything.

And for us to lurch and stop and start and not have a quorum for this organization, for this entity to put our people at a competitive disadvantage has never made sense, and I just appreciate the testimony.

And with that, I yield back to the Chair.

Chairwoman Waters. Mr. Perlmutter, you just asked the question of all of the witnesses about whether or not a 10-year reauthorization would be the kind of reauthorization that they had been alluding to. And we just got a strong response from all of our witnesses that a 10-year reauthorization would provide the kind of certainty that is so desperately needed in trying to compete in this highly competitive export business.

So I am very appreciative for that, and that is one of the items that Mr. McHenry and I are working on as we try to come to a consensus about what this reauthorization will be. It is difficult work. We have some questions that still need to be answered.

But I am appreciative for what you have shared with us thus far because we have Members who are listening very closely to you, and it is one of the issues that Mr. McHenry and I will have on our list of things to resolve. So I want to thank you, Mr. Perlmutter, for entering into that discussion.

The gentleman from Ohio, Mr. Stivers, is recognized for 5 minutes.
Mr. S TIVERS. Thank you, Madam Chairwoman. I appreciate you holding this hearing.

My first question is for Mr. Kamphausen. Your testimony was very revealing regarding China’s efforts to capture market share in innovative technologies including 5G. Do you think it would make sense for the Ex-Im Bank to take a new emphasis on promoting American innovation in these spaces?

Mr. KAMPHAUSEN. That is a bit outside my expertise, but it certainly would not send a wrong signal to China. I think it is also important to note that there are other tools that we can use. And earlier, Ranking Member McHenry asked what should we do. Last year, the U.S.-China Economic and Security Review Commission recommended the Congress develop a plan to provide resources to countries that are considering the challenges they face from China.

I would just like to highlight that in 2018, while it wasn’t part of officially funded resources, the USAID sent an interagency team to Myanmar that helped the government of Myanmar reduce the very challenging Chinese BRI loan for a report by more than 80 percent.

Mr. STIVERS. Thank you.

Mr. K AMPHAUSER. And so, I think we can do those sorts of things.

Mr. S TIVERS. Thank you. As a follow-up to that, Ms. Dempsey, and Mr. Hinson, do you believe if we have a new emphasis on these innovative technologies, they should come at the expense of current loans or supplant current loans or should it be in addition to—in a way that where we build additional capacity and expand those efforts?

Ms. DEMPSEY. Thank you, Congressman.

I believe very strongly that it needs to be in addition to the existing financing and activities of the Ex-Im Bank. I heard from many small businesses as I was coming here for this hearing—Tucci in Florida, that makes patio umbrellas; a company up in Massachusetts, Riverdale, that makes lobster traps and wire meshes for fences—and we don’t want to disadvantage these job creators in our country.

Mr. STIVERS. And as we look at the relative scale of China’s export credit agencies and the Ex-Im Bank, we are $200 million, they are $36 billion, it doesn’t make sense to eat into that $200 million, does it?

Ms. DEMPSEY. That is exactly right. That is what I was talking about earlier, about expanding the cap. Could I just say, it is not just innovative areas. It is also in infrastructure and beyond.

Mr. STIVERS. I would like to give Mr. Hinson a chance too.

Mr. HINSON. Thank you for the question. We would agree with Ms. Dempsey.

Mr. STIVERS. Thank you. Excellent.

Mr. Luetkemeyer’s questions on small business were, I think, informative in your answers about the supply chain. Mr. Hinson, or Ms. Dempsey, do you believe that we should have one of the reforms in the way we count our small business—the effectiveness of the Ex-Im Bank to include supply chain companies?

Ms. DEMPSEY. Yes. Yes, we agree with that. Thank you.

Mr. HINSON. Yes, we agree, as well.
Mr. STIVERS. Great. Thank you.
And, again, Mr. Hinson, I don’t think you—Ms. Dempsey was very clear on concentration limits. Would you like to also be clear on the effect of concentration limits and what that would do to those small businesses?
Mr. HINSON. It is not an area of my expertise, so I would defer to Ms. Dempsey. She has more knowledge.
Mr. STIVERS. So if a big company can’t get loans because of concentration limits like Boeing, what happens to their suppliers? Do they get business?
Mr. HINSON. No. As a practical matter it—
Mr. STIVERS. What happens to American jobs? Do they go up or down?
Mr. HINSON. They go down.
Mr. STIVERS. Thank you. That is what I needed.
Mr. Kamphausen, and with due respect to our ranking member, North Carolina and Ohio both contributed to the birthplace of aviation. Ohio contributed the brain power, and North Carolina contributed the wind, so we needed them both.
Mr. McHENRY. It is very tired. It is very tired, Steven.
Mr. STIVERS. I know. I know. But China is very focused on aerospace in their China 2025. Specifically, they are trying to gain more aerospace market share. Do you think having a successful civilian aviation industrial base that can produce wide-body airframes will enhance China’s military capabilities as well?
Mr. KAMPHAUSEN. Certainly potentially, yes.
Mr. STIVERS. So would you say it is a national security issue that we support our aerospace industry?
Mr. KAMPHAUSEN. Yes.
Mr. STIVERS. Thank you.
Finally, I have 5 seconds. I want to give a quick shout-out to a bunch of small businesses in my district that use the Ex-Im Bank, and I appreciate the fact that the Ex-Im Bank is there.
Thanks for having this hearing, Madam Chairwoman. I yield back.
Chairwoman WATERS. Thank you.
The gentlewoman from Ohio, Mrs. Beatty, who is also the Chair of our Subcommittee on Diversity and Inclusion, is recognized for 5 minutes.
Mrs. BEATTY. Thank you, Madam Chairwoman.
And to the witnesses, thank you. I have a brief comment that I want to give before asking a few questions. Thank you to all the panelists. I really want to also say that there has been a lot of emphasis on business development and competition or competitiveness abroad with regards to the Export-Import Bank. These are important conversations, but I want to take a moment to thank the American workers.
Mr. Herrnstadt, as a representative of the International Association of Machinists and Aerospace Workers, can you briefly describe the impact of a fully functioning Export-Import Bank on the workers in your organization?
Mr. HERRNSTADT. Absolutely. And thank you very much for the question. It is a tremendous factor. All one needs to do is take the public tour of Boeing in Everett to take a look at all of the aircraft
that are being built with suppliers from around the nation that have a foreign airline stamped on the tail, and then look at all of the workers who are involved in that to realize the importance, the direct importance of the Bank. And all one needs to look at is the development of large commercial aircraft in China to see the impending threat, particularly when they have their own export credit agency that is supporting them.

Mrs. BEATTY. Okay. Thank you.

Mr. Hinson, first, let me also thank you, and on a personal note say how pleased I am to see you. I have followed your work over the years, and I want to thank you for standing up not only for the American people but for all of your work in diversity and inclusion, not only in the position you are in now but in many capacities. I consider it an honor to ask you a question today.

We have heard—and I want to thank Mr. Cleaver and others for introducing OMWI and being in the bill, and thank you for saying that you think that would be a positive thing. I also have an interest in small businesses. My question to you is, when we talk about Ex-Im and fully integrating the ideas of diversity and inclusion into every facet of the work in the culture to attract, to retain, and to sustain a workforce that mirrors the richness of American diversity, can you tell this committee why the Export-Import Bank is such a critical and crucial agency for minority- and women-owned small businesses?

Mr. HINSON. Thank you for that question. There is a variety of reasons, but I would like to focus on one, and that is capital access. For many of the minority- and women-owned exporters, Ex-Im Bank is it in terms of their ability to attract the capital to actually sell their goods and services abroad.

In the absence of the Export-Import Bank, these companies would not have the opportunity to actually participate in the global markets. I would also add that when you look at the growth of minority-owned and women-owned businesses, the growth is really with African American female-owned and Hispanic female-owned businesses. Those will be the exporters of the future. And so it is critically important that the Ex-Im Bank be here to help these companies gain access to the capital they need to expand their businesses and export abroad.

Mrs. BEATTY. Let me ask you this: Do you believe that as many of the minority- and women-owned export small businesses would be able to do as many deals internationally if they didn’t have the Export-Import Bank?

Mr. HINSON. I think, without question, they would not. What is unique to minority-owned firms is they have unique export capabilities that more traditional firms don’t have. We are talking about these companies generally had—they are 6 times more likely to transact business in a language other than English. They are twice as likely to export than non-minority-owned firms.

We are talking about cultural connectivity. There is a big component of gender connectivity that is oftentimes not discussed when U.S. companies export into other markets. And so, we don’t take full advantage of the full breadth and depth of the skills and capabilities of these firms. In the absence of the Export-Import Bank, these companies would fall short.
Mrs. BEATTY. Let me say—my time is running out—to all of the panelists and especially you, Ms. Dempsey, for also using in your testimony words like “fair playing field,” and especially “level playing field.” I fully support the Ex-Im Bank and would like to see us move forward. I thank the chairwoman for this bipartisanship.

And lastly, I had the honor to work with and have in my district the former Chair, Fred Hochberg.

My time is up. Thank you.

Chairwoman WATERS. Thank you very much.

The gentleman from Kentucky, Mr. Barr, is recognized for 5 minutes.

Mr. BARR. Thank you, Madam Chairwoman.

Thank you to our witnesses today. And thank you for the testimony from many of you, particularly Mr. Kamphausen, about the Belt and Road Initiative and the serious national security implications of China’s malign state-directed export financing efforts.

In that vein, I do sympathize with the testimony that we have heard here today that one of the principal goals of the Export-Import Bank is to enable the United States to compete on a level playing field in markets and industries where China is aggressively supporting their own exporters.

I am, however, alarmed when I see on the screen above all of you the fact that China is the number two destination of Ex-Im Bank-supported exports, and the fact that Ex-Im has subsidized Chinese companies and in some cases Chinese state-owned enterprises and even the Chinese government.

And so my question to you on behalf of the American taxpayer is—and anyone can chime in, but in particular because of your expertise and your interest in the topic, Mr. Kamphausen—why is it or why should it be U.S. policy to use U.S. taxpayer funds to subsidize Chinese companies, including Chinese state-owned enterprises?

Mr. KAMPHAUSEN. Thank you, Mr. Barr. I am not an expert on the functions of U.S. Ex-Im Bank. It is the case that as China has developed so rapidly over the last 30 years or so, many of the old rules that were intended to engage and to bring about a China that would be a more meaningful partner for the United States international system require reassessment. And I think that applies across-the-board, and so a general statement would be we need to reevaluate the conditions that would allow this very thing to occur.

Mr. BARR. I welcome that comment. And my question may appear to the many friends of the Ex-Im Bank in this room as a hostile question. It really is not. It is to invite that kind of feedback that we need to reevaluate the policies of the Ex-Im Bank with respect to the core mission of countering malign Chinese competition.

And I think that if we are going to attract support for reauthorization, particularly long-term reauthorization, we need to be very cognizant of the policies of the Ex-Im Bank so that we do not continue to subsidize Chinese importers. I think the American taxpayer, particularly American taxpayers who have read Michael Pillsbury’s book, “The Hundred-Year Marathon”, that explores Chinese industrial espionage and forced transfer of technology and theft of intellectual property, I think the American taxpayer would be alarmed and concerned to find out that their hard-earned tax
dollars were going to actually subsidize malign competitive activities from Chinese-owned businesses.

I do see Ms. Dempsey wanting to chime in, and I will give you that opportunity.

Ms. DEMPESEY. Congressman, thank you. I appreciate that. And, look, I—we care deeply. Our biggest competitor and the source of most of the concerns I hear from my members is China. It is our third largest export market. These exports support hundreds of thousands of jobs overall. Why do companies use Ex-Im to sell to China, including to China state-owned enterprises? And it is not taxpayer-subsidized. Companies are paying fees. The loans are being paid back. It is actually not being subsidized, and maybe there is more work we need to do to prevent that.

Consider one of my small manufacturers in Maryland. They sell medical rehabilitation equipment, with about 55 manufacturing workers that they have been able to double over time because of exports working with Ex-Im. They sell to hospitals in China, in Russia. Many of those hospitals are state-owned enterprises. Our goods, our American goods that go overseas are like our ambassador.

Mr. BARR. Yes, I understand that. I am going to have to reclaim my time. I do appreciate the comment, but I want to just reemphasize that it is—I think it is—in order to gain the support that you want to reauthorize the Bank, when we are talking about competition with China, I think we need to have a clear-eyed policy with respect to supporting Chinese state-owned enterprises when China is engaged in systematic theft of our intellectual property, systematic national security undermining efforts to transfer American technologies in a way that undermines U.S. national security.

So I just admonish the panel here that this is an important issue that Congress cares about, as do you, because the issues that you are talking about in terms of competition raise the concern of malign competition from China. We should be cognizant that we don’t unintentionally enable China’s mercantilist, communist-driven activities that actually undermine U.S. national security. And I yield back.

Chairwoman WATERS. The gentlewoman from New York, Mrs. Maloney, who is also the Chair of our Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets, is recognized for 5 minutes.

Mrs. MALONEY. I thank the chairwoman and the ranking member for calling this important hearing and I also thank all of the important witnesses today.

I am a strong supporter of the Ex-Im Bank and feel that it should be reauthorized, but certainly questions and oversight are important. Particularly when you look at the extent that our competitors in trade subsidize their countries, China is subsidizing their exports to the tune of $36.3 billion, with a “B”, a year compared to the United States. We are number 25 on the list. They are number one. And we are at $200 million.

But I think the gentleman did raise an important point that you don’t want to subsidize the selling of technology that is important and protected by CFIUS for our national security. But since there are no indications that other countries will dissolve their export
banks and we cannot change this in reality, we are making it very hard for our companies to compete in the new world economy. So I would like to ask the representative from NAM, Ms. Dempsey, could you please explain exactly what type of difficulties American exporters would face if we did not reauthorize the U.S. Ex-Im Bank, specifically when facing foreign competition that is aggressively backed and subsidized by their nation’s export banks. Would more American companies simply lose bids in the world economy and world competition? Ms. Dempsey?

Ms. DEMPSEY. Congresswoman, thank you for your question. The simple answer is “yes.” If we didn’t have Ex-Im to participate in a number of these deals, small businesses would lose out, and hundreds of thousands of workers each year would be losing out on opportunities, and we are going to risk our standing in the world.

When the U.S. exports our products, our best-in-class products, whether it is medical equipment or satellites or the great products our small business witnesses here are talking about, we are being an emissary to the rest of the world and that helps us in our standing.

We should be looking favorably at exporting products of all sorts, of all sizes, of all types everywhere in the world—with respect to Congressman Barr—including China. We have rules, as you mentioned, Congresswoman, the new Export Control Reform Act, to make sure that we are not exporting our sensitive technologies.

We have a U.S. Trade Representative working very hard right now to get the best modern rules with China to stop the theft of intellectual property. But if we cut ourselves off from exporting, including to hospitals with which we are not competing globally, if we cut ourselves off from providing our best-in-class products to Chinese consumers or other consumers, we are hurting our diplomatic standing in the world.

Mrs. MALONEY. Can you get us in writing—since this debate is going to continue for a while—real examples of how we have benefited companies? I would particularly be interested in New York companies, that is where I represent, but other Members are interested in their localities. I would like to ask the U.S. Chamber of Commerce, David Hinson.

And I worry a lot about today’s sort of debate and discussion in today’s economy. Now we are in a very good, strong economy and we are exporting. But what about if we had an economic downturn, like in 2008 when we were literally in a tremendous stress position, and there wasn’t a lot of private capital around, to say the least. We were dependent really on the government to get the economy moving and to help during this stressful period.

So can the Ex-Im Bank offset a major shortfall in commercial credit and prevent a dramatic, say, drop in exports during a financial crisis, and did it do so during the 2008 recession? Can you tell us about your experience during that time of financial stress? Thank you.

Mr. HINSON. Yes. And thank you for the question. I think your question is excellent because that is exactly what happened. During the economic downturn, Ex-Im stepped up and filled the void that commercial banks weren’t willing to fill to support U.S. com-
panies exporting abroad. So, you are right on point with that. That is exactly what happened.

And that is one of the strengths of Ex-Im. During the times when we have economic downturns—and we will have another at some point—Ex-Im is in the position to step in and provide the sort of capital and loan supports and insurance supports that the private sector can’t—could not provide.

Mrs. MALONEY. You make a very strong argument for reauthorization. My time has expired. Thank you.

Chairwoman WATERS. The gentleman from Florida, Mr. Posey, is recognized for 5 minutes.

Mr. POSEY. Thank you, Madam Chairwoman.

One reason our country has enjoyed relatively great economic success is because we trusted our economic well-being to a free enterprise economy. In 1974, the late Nobel Prize-winning economist, Milton Friedman, said, “You must separate out being pro-free enterprise from being pro-business.” Today, we consider the reauthorization of an institution that many see as pro-business but certainly not as pro-free enterprise.

The Import-Export Bank has been criticized by many as picking winners and losers and providing financing to large companies and government enterprises. For example, one study identified Premex, the state-owned Mexican oil company, to have received the largest value in loans from the Bank. When the Bank’s reauthorization lapsed a few years ago, we learned that the Bank was financing the purchase of American commercial aircraft by a foreign airline, which was unfortunately competing with our airlines and costing us jobs and boosting our economy at home.

We have recommended reforms to the Ex-Im Bank before as part of reauthorizing it, most of which have been ignored. I believe we should look at reforms as part of the reauthorization, and I want to ask some questions about some reforms, and start with Commissioner Kamphausen. One of the reforms that has been suggested is that applicants for Bank financing be required to prove that they cannot get financed elsewhere. Should that be a required reform?

Mr. KAMPHAUSEN. I don’t have any expertise, Congressman, on that question. I am afraid I can’t answer it.

Mr. POSEY. Would anybody else like to comment?

Ms. DEMPSEY. Congressman, there have been studies and reports by the GAO and perhaps the OIG, the Inspector General, that have looked at this issue of additionality and have found that Ex-Im is complying with the rules, that it is not entering into areas where there is a commercial source of funding, financing, or other export activity.

I believe that this activity is already being dealt with very properly by the Ex-Im Bank, and I urge you to talk to the new chairman, Chairman Reed, about this. But I don’t believe that there needs to be additional work over the restrictions that the Bank already has as a lender of last resort.

Mr. POSEY. Another reform that was also mentioned would be to raise the requirement for the Bank to target loan support to small businesses. Part of that has been a recommendation to redefine a small business to exclude many firms that most observers wouldn’t
consider to be a small business. Should we take steps to put more emphasis on bank loan support to small businesses, Commissioner?

Mr. Kamphausen. Again, sir, that falls outside the parameters of the work that the Commission does, so I don’t have an answer for you.

Ms. Dempsey. Congressman, as we have discussed earlier, even our large business exporters actually support hundreds, if not tens of thousands of small businesses in their supply chain. Right now, there is a target percentage that Ex-Im is trying to meet. Over 90 percent of the transactions last year were with small businesses directly, but many more small businesses win and participate when there are these large business exporters. So I do not believe that there needs to be any change in that rule.

Mr. Posey. Question three, the Bank often provides loan support to state-owned enterprises that ought to be able to find financing within their own countries or from their own governments. I mentioned the Mexican state-owned oil company as an example earlier. Why is it appropriate to provide finance support to state-owned companies? And, Commissioner, I will give you first chance.

Mr. Kamphausen. As I mentioned earlier, this is perhaps an area that requires fundamental reassessment, especially in light of the very opaque ways in which China uses its own export support agencies, export credit agencies, as well as policy and development banks to serve that very function but in a kind of unsupervised or unaccountable way. So I think it merits reevaluation.

Ms. Dempsey. Congressman, if I could, if we restrict the ability of Ex-Im to finance sales to state-owned enterprises, be it in China, be it in Mexico, what we will be doing is telling China and other countries, buy your own products. Do not buy U.S.A. products. I think that would be the wrong path to take.

Are there ways that we should look at this? Should we do some more analysis? I absolutely agree. But I do believe that most of the exports that we have seen that have been financed by Ex-Im are the difference between whether it is a U.S. worker who benefits or a Chinese worker who benefits, or a U.S. worker or a Mexican worker. We need to be working to advantage our small businesses.

Mr. Posey. My time has expired. I yield back.

Chairwoman Waters. Thank you.

The gentleman from Washington, Mr. Heck, who is a leader on this particular issue and an expert for this committee, is recognized for 5 minutes.

Mr. Heck. Thank you. And I thank the panel very much for being here.

In particular, Ms. Sharma, I found your story incredibly inspiring.

And, Mr. Wilburn, welcome back. Thank you, sir, for your service to our country, and semper fi.

Mr. Wilburn. Semper fi.

Mr. Heck. What I have heard from the panel thus far is they uniformly support increased overall capacity in growth in a responsible way for the Bank. They do not support concentration caps. And if there are to be carveouts, they cannot be deductive against the overall capacity. And the panel additionally supports longer-term life for the Bank. Me too.
I have been a strong supporter of this Bank for two reasons, the first of which is the competition on the action here. Every industrialized nation on the face of the Earth has an expert credit authority, and I believe every single one has export credit authority activity as a percentage of GDP larger than the United States.

And to assert a variation of what Ms. Dempsey said earlier, in the last 2 years, China has extended more export credit authority to businesses than the United States Ex-Im Bank in its entire life—in 2 years China, more than our Ex-Im Bank in its entire life.

The second reason I support it is that markets fail. Now, Mr. Williams often asks, “Are you a capitalist or a socialist? I am a capitalist. But markets aren’t perfect. Markets don’t always help small businesses trying to get into this. Ms. Sharma’s story is a perfect example of this. Markets don’t always support sales into developing countries. The reference to Angola is perfect. Markets don’t always provide support for long-lived, large dollar capital goods, and the Ex-Im Bank does.

And they have done this, by the way, in a spectacularly good fashion. In the last generation-and-a-half, if not 2 generations, they have generated billions of dollars and created hundreds of thousands of jobs. They have done their job well since 1990, without question.

One of the proposals under considerations is to provide a concentration cap. I have heard everybody here oppose that. I want to drill down on it, Ms. Dempsey. The most common reason offered for this is risk management. But I read the data differently. I was looking at your testimony where it indicated that the default rate was less than .2 percent at the end of 2014 when we had large business activity, and it has increased to .44 something percent; the default rate doubled.

Now, the truth of the matter is that the statutory cap is 2 percent default. They are still the envy of the private sector for their management of risk. But what that data suggests to me, Ms. Dempsey, is that these large items—long live capital goods—are, in fact, the gold standard of their creditworthiness, and taking them out of the portfolio would be a little bit like an individual removing Treasury bills from their portfolio. Do you agree or disagree?

Ms. DEMPSEY. I absolutely agree, Congressman. What we have seen is that the larger exports, the capital goods are the more secure, less risky. The aviation sector in particular has a default rate of .009, I think in the last year, and back in 2015, it was .007 percent. That is far lower than the .235 percent.

Mr. HECK. So it would be counterproductive from a risk management standpoint?

Ms. DEMPSEY. It would be absolutely counterproductive from a risk management—

Mr. HECK. There is no business case whatsoever to be made for doing that?

Ms. DEMPSEY. There is no business case. And I will tell you, we have seen what other, let’s say the French export credit agency has done and how they have operated when they have tried to put these concentration caps in. You have French government officials trying to pick winners and losers. This is absolutely antithetical to
the rules put in, in 2015, that we shouldn't be discriminating against particular exporters.

Mr. Heck. So in my time left, I just want to say to my friends on the other side of the aisle, and they are my friends, stop saying this is taxpayer-subsidized. It isn't. It hasn't been for decades. This is a job-generating, revenue-creating entity. It creates jobs. It transfers revenue in the billions of dollars to the Treasury.

It is not taxpayer-subsidized. Stop saying that. It is not true. This helps America's economy. This helps us be strong. This helps us compete with China and other competitors. That is why I am so glad to hear your testimony here today and the consensus of your high points. Thank you again very much for being here.

Chairwoman Waters. Thank you very much.

The gentleman from Colorado, Mr. Tipton, is recognized for 5 minutes.

Mr. Tipton. Thank you, Madam Chairwoman. I appreciate you all taking the time to be able to be here.

Ms. Dempsey, you had mentioned a little bit ago in regards to the GAO and the Export-Import Bank, in regards to the Export-Import Bank being the lender of last resort, both studies out of the GAO and the Export-Import Bank's inspector general have pointed out that the Bank doesn't always demonstrate that it is, indeed, the lender of last resort.

Can you explain the discrepancy between the Bank's mandate and its function, given that the Bank is statutorily required to not compete with the private sector?

Ms. Dempsey. Thank you, Congressman.

As I read the last OIG's last report, dated November 27, 2018, what it said is, "We found the Ex-Im can generally conduct its sufficient due diligence and adequately interpreted the need for additionality when authorizing transactions. The Bank generally complied with the additionality policy and procedures."

The OIG went on to make several recommendations to the Bank to strengthen those procedures. And the executive chairman—or the vice president confirmed in writing to the OIG that the Bank was going to undertake to take all of those reforms. We have just had a new board finally installed, and I urge you to have those conversations with the Bank.

But as I read the last report, the work that the Bank is doing is ensuring that it is the lender of last resort, and that the Bank is willing and able to take other actions to reconfirm that.

Mr. Tipton. Okay. Could you maybe explain, and I am just trying to make sure I fully understand this, how does the Bank know when U.S. banks are unable or unwilling to be able to provide financing?

Ms. Dempsey. All of the applications that come into the Ex-Im Bank are required to provide that information to the Bank, and then the Bank puts that in their decision memos going forward, that this information has been collected from the exporter seeking information—

Mr. Tipton. So the exporter actually tried to get it in the private sector, they have been denied, and that is put into their request? Is that what you are saying?
Ms. DEMPSEY. Yes. All of the applications require the reason for Ex-Im support, which goes to the fact that they have been in the private sector. And I have seen this directly, and I am sure my small business colleagues at the end of the table could speak to this. Companies try to go and—to a commercial bank. They don't want to. They are unable to. Bank lending requirements, in some cases, prevent them from financing a deal to parts of Sub-Saharan Africa or other parts of the world. Companies are unable to use exports as collateral when they are getting a loan, so our companies have no choice but to either put out a second mortgage or go to the Ex-Im Bank. And that is the important role that the Ex-Im Bank plays to fill gaps.

Mr. TIPTON. Great.

Can you maybe clarify for me—Mr. Heck is a good friend of mine, and I appreciated his comments—but he was talking about the default rate. And, obviously, as he had noted, the default rate of Ex-Im Bank is low compared to the private sector. So that does beg the question. You just cited some regulations, but it is not across-the-board in terms of all of the loans going on.

Why is the private sector not stepping up and taking those loans, given the great risk management that we have seen coming out of the Ex-Im Bank given the statistics that are available?

Ms. DEMPSEY. Thank you.

There are a number of reasons that we don't see the gap being filled, and I lay these out in some specificity in my testimony.

Certainly, emerging markets are a big problem. Your local community banks are unwilling and unable to finance those types of deals. When you have longer transactions, longer-term transactions, larger transactions, banks alone are unable to take that risk on by themselves. In some cases, they do partner with the Ex-Im Bank to work together.

But acting alone, the Bank is unable to take on that risk. I talked about the small business collateral. Exports can't be collateral, which is normally the way that small businesses get loans. That operation does not work in the private sector. And then we were all discussing with state-owned enterprises. In a number of energy deals and other deals, you absolutely need a government at the other end of the table, and that is the important role that the Ex-Im Bank serves.

Mr. TIPTON. Great. My time has expired.

Chairwoman WATERS. Thank you.

The gentlewoman from North Carolina, Ms. Adams, is recognized for 5 minutes.

Ms. ADAMS. Thank you, Madam Chairwoman, for convening this hearing today. And to the witnesses, thank you very much for sharing your testimony.

The Export-Import Bank has been critically important in boosting North Carolina's economy and creating good-paying jobs. In my district, since 2014, it has supported 142 North Carolina small businesses and larger companies generating more than $4 billion in sales for our State, all without adding a dime to our national deficit.
In Charlotte and Mecklenburg, which is my district, the Ex-Im Bank currently supports 17 businesses engaged in exporting which generate sales of $60 million and thousands of jobs. So it is my hope that we can strengthen and reauthorize the Bank well in advance of the September expiration date.

I do have a few questions for Ms. Dempsey.

First of all, when the Ex-Im Bank lapsed between July 1, 2015, and December 2015, the statutory authority of the Bank was significantly limited. The Bank could not approve new transactions, was prohibited from engaging in business development, and so on.

So could you paint a picture for us of what those 5 months were like for existing clients of the Bank as well as new perspective manufacturers relying on this affordable financing to grow and expand their businesses?

Ms. DEMPSEY. Thank you, Congresswoman.

They were devastating. Our phones were lighting up constantly with companies who had deals pending who couldn’t make those deals. We had small businesses worried about making payroll because they couldn’t complete an export transaction that was a significant part of their deal. And new users of the Bank were questioning, well, why should I even try to export and do this when this Bank is not in operation?

We saw our foreign competitors being able to complete tens of thousands of deals during that period and through the period where it was not fully functioning, all, I think, to the loss of American workers.

Ms. ADAMS. Thank you.

Mr. Wilburn did you want to add something too?

Mr. WILBURN. I would just say this, that small businesses, just like any other business, need certainty. There is very little certainty in the process today. My clients overseas have gone to my competitors reluctantly. And that cost jobs in your district and other districts. I think that is really what we need to focus on.

You talk about free enterprise. We engage in free enterprise at FirmGreen and these other businesses. What the detrimental effect, is the government policies surrounding Ex-Im Bank heard us and heard our clients overseas.

Ms. ADAMS. Thank you.

What would American manufacturing and small business engagement with the international marketplace look like without Ex-Im Bank? Ms. Dempsey and Ms. Sharma?

Ms. SHARMA. I would like to say, we support a number of businesses in North Carolina also. And those businesses—we do the exporting, but they do the work. So, we send them cotton yarn. They knit it for us. They finish it. They dye it. So, businesses like us support a number of other small businesses that don’t have access to exports.

Ms. ADAMS. Okay.

Ms. SHARMA. So without Ex-Im Bank, that kind of activity is not possible. Supporting those kinds of businesses that are really not up front exporting by themselves.

Ms. ADAMS. Thank you. Yes, ma’am?

Ms. DEMPSEY. We would see thousands of businesses each year, particularly small and medium-sized, lose anywhere from 10 or 20
or 30 or 40 or 60 percent of their business if we didn’t have Ex-Im. That would put at risk hundreds of thousands of American jobs. And if we stopped doing this, we would continually lose out in bigger and bigger numbers, because when we lose a sale overseas and our competitors get it, that may not just be that one sale. That may be a sale for years, for generations to come. And so, we are putting ourselves at risk.

Ms. Adams. So before you turned to the Ex-Im Bank for financing assistance, did you attempt to get financing from more traditional banks?

Yes, sir?

Mr. Wilburn. Always, Congresswoman. Always. First of all, I would like to help my local bank, and they would like to help me. But they are precluded by the rules of their own banking charter from lending, especially the collateralization issue you mentioned on the overseas materials.

Ms. Adams. Okay.

Ms. Sharma, did you?

Ms. Sharma. Well, we haven’t—it has been very difficult to get loans from local banks.

Ms. Adams. But you did try.

Ms. Sharma. We have not yet used Ex-Im Bank for taking a loan, but we will be.

Ms. Adams. All right. I am out of time.

Thank you very much.

Madam Chairwoman, I yield back.

Chairwoman Waters. Thank you.

The gentleman from Texas, Mr. Williams, is recognized for 5 minutes.

Mr. Williams. Thank you, Madam Chairwoman. Mr. Wilburn, I would like to start by thanking you for your service. As a Marine in Vietnam, our country called you, and you answered the call. And for that we owe you a huge debt of gratitude.

Your success in the military and the private sector is an encouraging example of hard work and commitment, and I am grateful that we are able to hear your story today. I, too, am a small business owner, currently for 50 years. So we have seen Main Street America and how it works.

You are an entrepreneur who started multiple successful businesses. You took risks and bet on yourself to succeed. That is the definition of the American Dream and the beauty of capitalism. You seized at opportunities. You didn’t seize on government guarantees.

Before I proceed with my question about the Ex-Im Bank, I want to ask you a simple question: You are a capitalist, aren’t you?

Mr. Wilburn. Yes, sir.

Mr. Williams. Thank you for that.

Now, the problem I see with Ex-Im is that the benefits seem to disproportionately be going to some of the largest companies in the world.

Could you give us your thoughts on how we can preserve the benefits to small and medium-sized businesses like ours around the country while not subsidizing multibillion dollar corporations?
Mr. Wilburn. It is a difficult question, sir, and I think an important one for this committee, obviously. And I appreciate the question.

I can only speak from the small business perspective and the people that I know that are small businesses that have worked for these large companies that you are referring to. They are indirect jobs. They don’t really show in the accounting at Ex-Im Bank or the data here.

In my work at the Trade Finance Advisory Council with the Department of Commerce, we tried to articulate that and draw attention to that. So I think there is more work that needs to be done. But I agree with you that there has to be a hard look at the policies behind the loan process, period.

Mr. Williams. Thank you.

I personally think the largest companies in the country who can afford to arrange their own export financing should do so without any assistance of the Federal Government. I would prefer a recourse financing system like there is in the private sector between two parties, that I deal with all the time.

Mr. Hinson, do you believe the Ex-Im Bank currently has enough flexibility in its charter to innovate and try and shift the risk away from the taxpayers and increase private sector involvement?

Mr. Hinson. I would say to that question, from the standpoint of the U.S. Chamber, the motivation is to create a level playing field to make sure that all businesses of all sizes and all scopes have the best opportunity to sell their products and services around the world. There is a greater need for flexibility, as Ms. Dempsey pointed out in her comments, to grow the Ex-Im Bank to make it more available to more companies.

In answer to your question, the U.S. Chamber is supportive of more flexibility for companies and greater opportunity for businesses, particularly small businesses, because the U.S. Chamber—99 percent of the U.S. Chamber’s members are small businesses so that they can grow and flourish.

Mr. Williams. Half of the workforce, half of the payroll is the small businesses we are talking about. So, thank you for that.

Ms. Dempsey, on page 6 of your testimony, you talk about how international competition is receiving subsidized financing from their respective export credit agencies. You talked a little bit about that today. And that the United States has been working to eliminate these market distortions so everyone is competing on a level playing field.

What enforcement tools are at our disposal if we find out that another country is violating a negotiated ECA lending agreement?

Ms. Dempsey. At the moment, we don’t have those types of tools. We have agreements that the United States led the world in completing with our member—our fellow members of the OECD, the Organization for Economic Cooperation and Development, the developed countries, that follow these guidelines. And then we are trying to, but we need more leverage in those negotiations with the developing countries.

One of the areas that we are looking at, because we share the view that government should not be using subsidized financing and
do not believe at all that that is what the Ex-Im Bank is doing. It is operating on commercial terms as possible.

But I think in some of these negotiations, we need to look at the World Trade Organization, because that is where there is an exception for export credit agencies, and that is where the disciplines and the type of enforcement tools would actually lie. So that is an area that we are looking at.

I was over in Geneva with my CEO in March. We talked to the head of the WTO about this issue. But that is the course that I think we need to take on that only after we have fully reauthorized, revitalized this agency, because if we don't have an operating Ex-Im Bank, no one else is going to listen to us.

Mr. WILLIAMS. Okay. Thank you.

I yield back.

Chairwoman WATERS. The gentleman from Florida, Mr. Lawson, is recognized for 5 minutes.

Mr. LAWSON. Thank you, Madam Chairwoman. And I welcome the witnesses to the committee. I was just sitting here contemplating and listening to most of the testimony early on. And I guess one of the things I would like to comment on again, that I don't clearly understand is, in the wake of the numerous trade wars that the President has been involved in, how important is the reauthorization of the Ex-Im Bank to help small businesses that are reeling from these trade wars?

And so in the news every day it is about the direction that the President probably would be going. And then you hear a news release earlier from a lot of small businesses saying how this is going to really, really affect them. And I was just wondering if you all, as we go down the line, care to emphasize, does it put you in a bad position to tell us how these trade wars are going to affect our small business growth?

Ms. DEMPSEY. Congressman, thank you for that question.

Manufacturers, as I mentioned, export about half of everything we produce to our foreign trading partners. And that has been a huge source of growth over the last 10 to 20 years. So, we need foreign markets to be open. We need a level playing field. We very much want to see better rules with China, in particular.

But at the end of the day, what we want is a rules-based economy, and no one wins a trade war. Tariffs can be very devastating, particularly to small businesses that only have a particular export market.

We are working very strongly with the Administration, and with those of you up here, to try to get a trade policy that opens markets, that sets fair standards for all of our companies and takes away some of these trade-distorting tariffs.

Mr. LAWSON. Would anyone else care to comment?

Mr. WILBURN. I just want to echo her remarks. We want a fair and level playing field for trade. I can't opine on all the reasons behind a tariff. I am a small business owner. But I can tell you this. Our elected officials need to be very sensitive when they take these types of actions. They are punitive towards us. They hurt our economies. They hurt small businesses like ours. So we have to be aware of those.
Do I have all the answers? Absolutely not. But I know part of that answer has to be a look at fair and equitable trade policy.

Mr. LAWSON. Yes? Go ahead.

Mr. HERRNSTADT. Thank you.

We have always insisted that a fair trade policy be comprehensive. It has many different components to it. You mentioned tariffs. That is one. The Export-Import Bank is another. We want to make sure that American workers can compete on a fair and level playing field. And that involves many different aspects and many different factors.

Mr. LAWSON. All right.

Ms. SHARMA. Can I add one thing?

Mr. LAWSON. Yes, please.

Ms. SHARMA. When you talk about a level playing field, in the fabric and the textiles field, we do not have a level playing field, because the fabrics that we make follow all EPA standards, and OSHA standards. We follow a lot of rules that make our fabrics safe and easy to use. We cannot compete with overseas imports that are not made following the same rules and regulations that we use in the United States of America.

So by that standard, our fabrics become more expensive. We keep our cost, our overheads low. We don’t use agents and distributors just so that we are able to compete with low-cost imports into the country. So the tariffs really don’t affect our business in that manner, because our manufacturing supply chain is completely 100 percent U.S.-owned and operated.

Mr. LAWSON. And quickly, Mr. Hinson, before I run out of time, when you say that we like to have all of our businesses, small, medium-sized, and large, on a level playing field, is that really achievable?

Mr. HINSON. Yes, it is. It is achievable. We have to put measures in place to ensure that it is possible. But, frankly, one step is to have a large, robust, consistent Ex-Im Bank to make that possible. I believe it is.

Mr. LAWSON. Okay. And really quickly, has Congress been providing the resources that are needed to keep us in a competitive situation?

Mr. LAWSON. Okay. Thank you.

Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you.
The gentleman from Arkansas, Mr. Hill, is recognized for 5 minutes.

Mr. HILL. Chairwoman Waters, thank you for hosting this hearing. I appreciate you and the ranking member working together to put this panel together.

First, I want to congratulate Ms. Sharma and Mr. Wilburn for being here today and bringing your hands-on practical experience in using the Bank's programs compared to all of these very smart people over here who also are advocating. But it is nice to have your perspective of hands-on working.

Mr. Wilburn, I note that in your testimony—you talk a lot about—that you are pitted against other companies that are exclusively using their country's ECA facility. And so whether that is relevant or not to the transaction, it becomes important.

Can you touch on that for a minute? In other words, whether it is really needed or not is sort of irrelevant to you because it appears to almost be a requirement by the buyer.

Mr. WILBURN. More and more, in the last 5 years, I can tell you that there are very few projects that we can bid on without demonstration of either a letter of interest or some type of indication that we have ECA financing available from our United States Export-Import Bank.

Mr. HILL. Thank you.

And, Ms. Sharma, in your case, congratulations on the incredible growth you have. You must not sleep at night in order to go from 6 customers to 800 customers, from 4 countries to 60 countries. I know you are working your children to death, it sounds like. There is the emerging market risk, because you have a mixture of entities you are selling to. Do you use the Ex-Im Bank primarily in the emerging economies, or do you use it across-the-board because you yourself are a small company that doesn't have a “big reputation” with the buyer?

Ms. S HARMA. We have—no. It is different, actually. We have a great reputation with the buyers, because our fabrics are unparalleled anywhere. We just don't have any marketing or advertising. It is all organic growth. People who use our fabrics, they love them and they want to order more. But they are limited again by credit terms, et cetera.

So we use Ex-Im's credit terms mainly in different markets like Europe, and Australia even, and in emerging markets too.

Mr. HILL. Okay. Thank you for that.

Ms. Dempsey, in your testimony, you talk a little bit and outline some of the structural issues in finance that are troubling that, again, are not ideal. And one thing you cite are Basel III standards and by—also, Dodd-Frank had discouraged the private sector from making long-term financial commitments here.

Can you explain that?

Ms. DEMPSEY. I can provide a little bit more on that.

What we are hearing from our companies is, when they go to their local lender or even larger commercial banks, as the project gets bigger, as the project is in emerging parts of the world, be it in Asia or Africa or South America, what they are being told by their banks is they cannot, because of the regulations, both U.S. Government and the Basel III that reduced the amount of risk that
banks can take on, that reduce their ability and their exposure limits.

We have seen in several cases the ability of Ex-Im to partner with a commercial bank where the commercial bank is taking part of that risk. And that works. But if you took Ex-Im out of the equation, the deal would not happen, the exporter would lose the sale, the jobs would be put at risk.

I would also point out that Ex-Im is looking at, is there more to do in the reinsurance area? I think that is promising for some parts of the portfolio. But it is certainly not a silver bullet. Ex-Im, I think, is taking very seriously now its mandate to be the lender of last resort. It has the flexibility to look at these other options going forward, and we support them doing so.

Mr. HILL. Would you say that the Bank is more of a lender now than an insurer of a transaction?

Ms. DEMPSEY. I would have to look at the numbers. Because of the problem with the quorum and the lack of the quorum, Ex-Im’s activity was cut by at least a third. A lot of small businesses use working capital guarantees, insurance guarantees, receivables insurance, things like that as opposed to the lending. And so that activity was reduced during that whole 4-year period when Ex-Im was not operational.

Mr. HILL. Thank you. I appreciate that.

Mr. Kamphausen, just a quick comment. Do you think—yes-or-no answer—that the World Bank should treat China as a developed nation now instead of an undeveloped nation?

Mr. KAMPHAUSEN. It is a very complicated question.

Mr. HILL. Give me an uncomplicated answer.

Do you think it should or should not?

Mr. KAMPHAUSEN. Yes.

Mr. HILL. Thank you.

I yield back.

Chairwoman WATERS. The gentleman from Utah, Mr. McAdams, is recognized for 5 minutes.

Mr. MCADAMS. Thank you, Madam Chairwoman. I want to thank the witnesses for being here today.

In my home State of Utah, roughly 86 percent of Utah exporters in recent years were small businesses. So, supporting exports means supporting small business in my State. And the Export-Import Bank is a critically important tool to help our nation’s exporters. Stated another way, the Export-Import Bank is a critically important job creation tool right here in the United States.

While I wasn’t in Congress during the last reauthorization, I was the mayor of Salt Lake County at the time, and I frequently dealt with our small business partners and the broader business community working toward reauthorization. And all of these stakeholders were strong supporters of the Export-Import Bank due to its help in leveling the playing field for U.S. companies to compete overseas.

As we enter this reauthorization, a key focus of mine is to strengthen the Bank and to strengthen the ability of our small business exporters to compete in foreign markets. So, a few questions.
This is, I guess, for the panel. Do small businesses and large exporters utilize Ex-Im in similar or different ways? And do you believe that promoting small business usage of Ex-Im has to come at the expense of our larger exporters? Or in other words, can a strong Ex-Im Bank better support small businesses while also still providing appropriate support for large exporters?

Ms. DEMPSEY. Maybe I will take the technical question to start out, but I know my small business colleagues have a lot of expertise here.

There are certain tools that the Ex-Im Bank provides that are really just for the small and medium-sized businesses, and those are what they need: working capital guarantees; and some of the insurance payment guarantees. Some of those are ones that are largely used by small businesses. And the Ex-Im Bank has put into place activities for first-time small businesses to help ease them into it to attract more small businesses to use the Bank.

Then, there are the financing tools that I will say small businesses use as well as medium and large businesses. We have small businesses that export big things like school buses, like fire trucks, family-owned small businesses that do these types of things as well as the small businesses here on this panel. They use those same lending resources.

I believe very firmly that the Ex-Im Bank can and should do all of the above, because as we discussed earlier, these large exporters support hundreds, tens, thousands of small businesses, as well as their communities. We are talking about suppliers, component manufacturers. But we are also talking about coffee shops. We are talking about local stores and other things that are parts of these communities. That is what Ex-Im can and should be doing.

Mr. WILBURN. Really quickly, I also feel very strongly that if it comes down to big companies, small companies, due to a lack of resources and proper attention, increase the resources of the Export-Import Bank of the United States. They need more staff. They need more help. That is my opinion.

Ms. SHARMA. I don’t believe small businesses and large businesses have to compete with each other. The resources should be increased in order to have both. Because, again, like Ms. Dempsey just said, the big businesses also support so many small businesses and local communities and stores and everything, the economy. So I don’t think there should be a competition between them.

Mr. MCADAMS. It sounds like they are not necessarily a zero sum, right? If we are helping some of the large businesses, that will also support small businesses in the space. So it doesn’t have to come as a zero sum.

I wanted to move to a different topic. Mr. Hinson, you specifically mentioned in your testimony Canadian planes, Chinese trains, and Russian nuclear reactors as expensive capital goods that are supported by those countries’ ECAs.

For U.S. companies in similar industries, when Ex-Im is fully operational, does the Ex-Im Bank provide comparable levels of support, or do they compete at a disadvantage against their foreign competitors? Or in other words, if Ex-Im didn’t provide strong support for these industries, would companies be incentivized to move jobs overseas?
Mr. Hinson. That is a very technical question. I would rather defer that question to Ms. Dempsey because there is a really specific answer to that.

Mr. McAdams. Okay. Ms. Dempsey?

Ms. Dempsey. A few answers. One, if we don’t have Ex-Im, these suppliers of—in these areas, particularly when you are talking about nuclear or railcars and things like that, those deals won’t happen from the U.S. side.

Do some of these other countries provide more flexible and subsidized rates? Yes, absolutely, they do. Certainly, the developing world oftentimes subsidizes using noncommercial rates of interest, things like that. We are trying to negotiate those issues. But we need to do so from a position of strength.

I would say that, when we look at the whole—all of the foreign export credit agencies, many are much more flexible than the United States. So, that is an area that we would like the Bank to look at.

Mr. McAdams. Okay. Thank you.

And, Madam Chairwoman, I yield back.

Chairwoman Waters. Thank you.

The gentleman from Ohio, Mr. Davidson, is recognized for 5 minutes.

Mr. Davidson. Thank you, Madam Chairwoman.

And I appreciate all of our witnesses today. You all really a lot of expertise and some great comments. To our small business leaders, I really appreciate that because that is what I did just prior to coming here, in the manufacturing space.

And in preparation for my time in Congress, not only did I have this chance to be a small business owner, that you may not realize what you are being prepared for as you are going through these things. But I had a great education at the United States Military Academy. So, thank you all for your contribution to my high-quality education.

One of the key takeaways from that was that you fight the battle you are in, not the one you planned on being in or the one you wish you were in. But you fight the battle that you must in order to win. And the reality is, if we are purists, we don’t really like tariffs. And if we are purists, we don’t really like subsidized things.

What are subsidized things? Things that the market wouldn’t produce. And the reality is that our regulatory scheme in the United States prevents many of our financial institutions from taking market risks that they would love to own and hold on their balance sheets.

It is not that the market wouldn’t produce this. In some ways, this very body is actively working to kill the market that would make it possible to extend working capital to small businesses. For example, Basel III wanted to treat your businesses and mine as if we were using the entire line of credit that was available and assign no assets or equity to it, which is crazy. Everyone looks more leveraged when you do that.

The reality is that we are, as Commissioner Kamphausen, you have most articulately laid out, in a very competitive space, not just with China but even with our nearby allies, the Canadians. In my manufacturing business, we look at it, and rationally, we would
have moved part of our business to Toronto to take advantage of their very generous comparable entity to the Ex-Im Bank. It put us at a competitive disadvantage. And, frankly, the United States hasn't dealt with it. Thankfully, we do have a President who has taken on the trade war.

Ms. Dempsey, you highlighted that no one really wins a trade war. The reality is, China has been winning big. They have been winning. And they have been recognizing they have been involved in trade. They had a grand strategy for how to deal with the end of the Cold War. And it goes back to, prior to the 30-year anniversary of the events of Tiananmen Square where Deng Xiaoping became the leader of China.

So you look at the way they have used their entire economy to engage the world, and they promised to become a market economy, but they haven't. You are exactly right. We need to use all the leverage of the World Trade Organization to get them to do what they already promised to do.

We need to have a powerful tool like the Ex-Im Bank, or you have no leverage. And the reality is, as much as I dislike the concept of tariffs, we have seen that this Administration and our trade negotiators have used tariffs to improve our trade deals and to gain leverage in a negotiation. Because with no leverage, you have no deal. And with no options, there is no option. There is either get what you get.

And so I guess, Mr. Wilburn, Ms. Sharma, would you say that you would love the theory of, “I only compete with companies,” but you feel like you are competing against countries?

Ms. SHARMA. Yes, we are competing against countries. How does it—it is to say we are competing against countries. And the fact we do dislike tariffs, absolutely. Only yesterday, we were talking about this, that there is a tariff all coming over from India, and some of her yarn is coming from there. And they said, “Your price is going to go up by so much.”

And then we felt bad about it, but then we said, “India did not abide by the agreements about raising—about not bringing tariffs on U.S. products.”

And we said, “Okay, we are American citizens, so we agree. We live by it. That is it.”

Mr. DAVIDSON. Thank you for that.

Mr. Wilburn?

Mr. WILBURN. Just quickly, of course, we compete against countries. But, really, we are competing against ideologies. I am a patriot. I love my country. And that has to be recognized when we are doing trade. They are trading with Americans who are engaged in free enterprise.

Mr. DAVIDSON. Absolutely. And I think it is well said. And I hate to cut you short, but I am on a tight clock.

Look, I never thought I was going to China without a rucksack full of ammo, body armor, and night vision goggles. But we did a lot of business there. We experienced the importance of the working capital. We experienced the competitive environment.

And, Commissioner Kamphausen, if you could briefly summarize, how dangerous is it the loss of intellectual property to China, and how important is it that we get that we get the regime that we
have put in place last year on CFIUS with FIRRMA into Ex-Im controls?

Chairwoman WATERS. The gentlewoman from Michigan, Ms. Tlaib, is recognized for 5 minutes.

Ms. TLAIB. Thank you, Madam Chairwoman.

According to Ex-Im, 75 percent of Michigan customers are small businesses. However, I think only two small businesses in my district have been provided with financing from Ex-Im. I don’t know if anybody can confirm that.

But one of the things I want to talk about is, in 2015, Ex-Im reported to have supported over 60,000 jobs in Michigan as a result of 9.3 million sales across the State.

How many jobs has Ex-Im supported nationally? And I apologize if that has been asked already.

Ms. DEMPESEY. In a typical year, Congresswoman, Ex-Im, when it is fully functional, supports hundreds of thousands of jobs. Ex-Im’s data says about 2.5 million American jobs have been supported since about 2000.

Ms. TLAIB. Has Ex-Im Bank ever put the taxpayers at risk?

Ms. DEMPESEY. What we have seen is that Ex-Im every year is putting stronger risk controls in place as was authorized by the 2015 reauthorization. Its default rate is very low, far lower than the statutory mandate. And we believe that it has the controls it needs to not put U.S. taxpayer dollars at risk.

Ms. TLAIB. My friends across the aisle have claimed that Ex-Im has put taxpayer dollars at risk.

What have the highest default rates been for Ex-Im?

Ms. DEMPESEY. I would have to go back and look at that. If I may, I will respond to you and follow up.

Ms. TLAIB. Going back to small businesses, for me, many of my residents, especially in communities, because I have the third poorest congressional district in the country, and about 60 percent of my residents within the City limits, within the urban community City of Detroit, work outside of the City. And most of the time, the ones who do work in the City, it is because small businesses are hiring, not the major ones.

I am curious, if Ex-Im’s board quorum is met, are there any requirements in place to ensure that small business lending targets are met?

Ms. DEMPESEY. The Ex-Im reauthorization in 2015 set an Ex-Im small business target. I was over Friday with the new Ex-Im chairman, Chairman Reed, and a group of small businesses and their Office of Small Business. And they are very committed to figuring out ways to get more small businesses involved.

One of the problems we had is, during the lack of a board quorum, the gap that we talked about earlier, small businesses couldn’t devote the resources to this uncertain future. They need that certainty to be able to do this. Oftentimes, for a small business, it is one or two individuals or their children who are out trying to get these foreign sales. And if they don’t know that Ex-Im is there, they are not going to be working on that because they have payrolls to meet; they have customers in the United States to service.
Ms. Tlaib. Okay. That is it, Madam Chairwoman. Thank you so much.
I yield back the rest of my time.
Chairwoman Waters. Thank you.
The gentleman from Ohio, Mr. Gonzalez, is recognized for 5 minutes.
Mr. Gonzalez of Ohio. Thank you, Madam Chairwoman. And thank you to the witnesses for being here today and sharing your testimony.
I want to pay particular acknowledgement to our small business owners. Reading your testimonies and hearing you today, you are so inspiring. My father immigrated to this country in 1960 and started a steel plant. That sounds very similar to your experience, Ms. Sharma, where the entire family has chipped in throughout the entire life of that business. That really resonated with me, so thank you for all that you do.
And, Mr. Wilburn, thank you for your service in the United States Military.
I believe that the value of the Bank should be unquestioned at this point. It is exciting to me that we are going to get what feels like some bipartisan energy on getting this done. We can talk about low default rates. We can talk about the fact that it is contributing more than it is taking out from the Treasury, the obvious implications with leveling the playing field against China, and the impact on small and medium-sized businesses. And so, I am excited about the prospects.
For me, the only question is really one around length of time and confidence in the reforms and oversight that we can have if we are going to go toward a long-term reauthorization.
So I guess my first question will be for Ms. Dempsey. Given that the Bank now can establish a quorum and has appointed a chief risk officer and chief ethics officer, what next steps would you recommend that Congress take to ensure these officers are completing their mandate successfully?
Ms. Dempsey. Thank you, Congressman. Look, we absolutely are committed, like all of you, to making sure that all of our government entities, like the Ex-Im Bank, are operating as intended and with that low risk.
I am not sure that I think that there are specific mandates or directions that Congress needs to do right now. The risk officer, and the ethics officer were just appointed last week. There are reports that are due from the OIG, the GAO to follow on that. The committee could certainly undertake hearings with the Bank, meet with the new chairman of the Bank and the other board members, to hear what they are doing.
I don't know that I see any specific mandates at this point from a legislative perspective.
Mr. Gonzalez of Ohio. Okay. And then, in the GAO report of Ex-Im fraud controls, their survey found that more needs to be done to leverage technology to help with preventing and monitoring fraud.
Similar question: What sort of technologies can the Bank utilize to improve their fraud risk operations?
Ms. DEMPSEY. My understanding is the Bank agreed with the recommendations, that it was undertaking that. Again, I don’t have the specific expertise on that. I don’t know if my colleagues do.

But I think that is a question to ask Ex-Im Bank, to understand what they are doing, and then perhaps have another hearing or discussion.

Mr. GONZALEZ OF OHIO. Great.

And then, if you could expand a little bit more on how we can hold China accountable at the WTO and globally. You kind of started on that path and ran out of time a little bit, so maybe say a little more there.

Ms. DEMPSEY. More broadly than Ex-Im, I think we are absolutely supportive of Ambassador Lighthizer’s work to negotiate a new trade deal with China. It is something that we have been talking about, our CEO talked about at the beginning of last year.

We have old rules. These rules with China are out of date, and they have certainly developed in ways, as several of you have talked about, that no one expected. And I know Commissioner Kamphausen can talk very specifically about the theft of intellectual property as well as many of those things.

We need to see that agreement come to fruition. Strong new rules with China that hold them accountable through an enforceable mechanism. But we also need to get our own house in order here, and that is where Ex-Im Bank plays such a critical role. Is there more adding to the work of Ex-Im Bank, not detracting from the support it gives to small businesses that have nothing to do with China, but can it do more to provide more flexibility? Significant authorizations. Are there other things that we can do to speed along that—to undertake that countering—

Mr. GONZALEZ OF OHIO. Okay. Not to interrupt, but I want to give Ms. Sharma the last question. In 30 seconds, how can we make small business life easier with respect to the Ex-Im Bank?

Ms. SHARMA. I think there has to be more outreach. I don’t think many people know about the Ex-Im Bank at all. In the community that we are, in the small businesses that we are, most people don’t have—have not even heard about it. There has to be more outreach and education so that Ex-Im Bank can reach more people, and definitely they will benefit.

Mr. GONZALEZ OF OHIO. You may have covered this, but how did you hear about it?

Ms. SHARMA. I was at a trade seminar, and some trade representative was there, and he introduced me to Ex-Im.

Mr. GONZALEZ OF OHIO. Great. No doubt on one of your weekends.

Ms. SHARMA. Yes.

Mr. GONZALEZ OF OHIO. Thank you for the time.

And I yield back.

Chairwoman WATERS. The gentlewoman from Texas, Ms. Garcia, is recognized for 5 minutes.

Ms. GARCIA OF TEXAS. Thank you, Madam Chairwoman.

And thank you to all the witnesses today.

It is my belief that the Ex-Im Bank plays an irreplaceable role in promoting American exports and keeping small businesses competitive in the international market. Since 2014, the Bank has pro-
vided over $450 million worth of export support value in my dis-
trict, Texas 29, which is the Houston area. Among the 53 total ex-
porters supported in my district, 39 are small businesses. The
Bank provides targeted credit and export support to our small busi-
nesses who need it most to stay competitive. We know the Bank’s
programs work, and we should not abandon them.
I fully support the reauthorization. However, I do want to add
that I am concerned about what may be happening with any of the
President’s tariffs, particularly in regard to Mexico. Foreign trade
in Mexico is very critical, not only to my area in Houston but, in
fact, Texas.
If carried out, how would the proposed general tariffs on Mexican
imports affect small businesses who specialize in exporting value-
added products? Would a revitalized Bank be in a position to help
these types of businesses?
And this question is for Ms. Dempsey.
Ms. DEMPSEY. Thank you, Congresswoman. I appreciate your
support of the Ex-Im Bank and fully understand and agree that
Mexico is a valuable trading partner.
The Administration just recently renegotiated, updated, and
modernized the original NAFTA agreement and is looking for con-
gressional approval. Mexico is the second largest export market for
our manufactured goods. And when we import from Mexico, 40 per-
cent of the value of those imports is actually U.S.-made content,
whether it is our grains or our energy or our steel or other prod-
ucts.
We have to get this situation moved forward. We are very con-
cerned and have communicated directly with the Administration on
the possibility of tariffs. Immigration is a separate issue. We have
a plan we have put out on how to move forward on immigration.
But we should not be moving forward on tariffs at this time.
Ms. GARCIA OF TEXAS. So you do believe that a reauthorization
of the Bank would help those businesses in my district that are di-
rectly either exporting to or—Mexico, importing to their product to
them?
Ms. DEMPSEY. The Ex-Im Bank is definitely going to be an aid
to businesses exporting to Mexico. We have already seen its use
in—Mexico is oftentimes a top market that Ex-Im-supported ex-
ports go to. So, that is a very important area where we need to con-
tinue to move forward at this time.
Ms. GARCIA OF TEXAS. Thank you.
And while I do support the Bank’s reauthorization as a necessary
economic reality, there are also some problems that must be ad-
dressed. I know some of my colleagues have already mentioned
about the need for growth in the small business sector.
But I am particularly concerned because of those businesses that
I mentioned in my district: of 59, only 7 are minority-owned; and
only 4 are female-owned. So the next question is for both Ms.
Sharma and Mr. Wilburn.
What can we do specifically to improve outreach to these commu-
nities? I know, Ms. Sharma, you mentioned that you learned about
Ex-Im at a trade seminar. What else could they be doing for all of
our communities that really need help in this area, in minority-
owned small businesses, veterans’ businesses, all of our small businesses?

Ms. SHARMA. I was just thinking about that. How do we get to them? Because it was a shipping seminar. I had gone to find out about shipping to overseas countries, and suddenly I found this.

Ms. GARCIA OF TEXAS. You just stumbled on it.

Mr. SHARMA. Yes.

And so this is a very interesting question. What do they use in order to send the message to these people?

I don’t believe the small business owners are part of some association—some local chambers of commerce to which Ex-Im Bank would work so that they are able to reach and send the message out there that this is available because it is just not there.

Ms. GARCIA OF TEXAS. Okay. Mr. Wilburn?

Mr. WILBURN. Really quick, there are local regional offices where the SBA and Ex-Im have staff and representatives. We are trying to get that word out.

I mentor veteran-owned businesses, disabled veterans, and also other minority groups. And there is some mentoring that needs to be taking place, and maybe even enabled more by the Bank to allow those of us who have experience, like Ms. Sharma and myself and other small businesses owners, to mentor small businesses to allow them to fully access the capabilities of the Ex-Im Bank.

Ms. GARCIA OF TEXAS. Thank you.

Thank you, Madam Chairwoman.

I yield back.

Chairwoman WATERS. Thank you very much.

The gentleman from Virginia, Mr. Riggleman, is recognized for 5 minutes.

Mr. RIGGLEMAN. Thank you, Madam Chairwoman.

I thank all of you for being here today. I read your bios, and they are pretty impressive. My question—my background is going to come back. I am a family business owner myself in fine liquor. But also, I had two companies before in kinetic and nonkinetic warfare. My background is NSA and the Office of the Secretary of Defense, United States Air Force. Thank you for your service. And we do have better chow halls than the Marines.

As we are looking to reauthorize the Ex-Im Bank, I think it is critical that we take a step back and try to understand how or why a healthy Ex-Im Bank is important. I believe the economic competitiveness is as important as a strong military when it comes to national security.

Now, listening a little bit earlier, we know that China is not playing by the OECD rules. I think we all know that. I have a question, and this probably isn’t fair to Mr. Hinson, but I am going to ask it. So if anybody else wants to chime in, you can.

If they are not abiding by any of the international standards, Mr. Hinson, and since you are from the Chamber, can you tell me, perhaps, what the structure of one of these deals might look like? Do they have a MOU or anything of the sort?

Mr. HINSON. Congressman, thank you for the question.

Honestly, that is not an area of my expertise. We have two people on the panel who know more about China and caps than I do, so I would very much prefer to defer that question to them.
Mr. RIGGLEMAN. Fantastic.

Mr. KAMPHAUSEN. I don't think we have a firm answer on whether China thinks about caps. I think we can conclude that they probably don't because it is not in their interest to arbitrarily restrict themselves when they aren't a part of any other international bodies. And so, I suspect that they would not self-impose such caps.

Mr. RIGGLEMAN. Okay. And earlier, also, I heard you talk about, sort of, China executes its economic investment strategy through policy. And I sort of remember us doing that right after Operation Iraqi Freedom. We did a little bit of that ourselves.

And in saying that—and this is a question for you, and it is actually a true question, and I just wrote this listening to all of you, by the way, do you think that the U.S. can combine policy with free market principles to target certain areas? And what I mean by that, the best term I came up with is like international opportunity zones and seeing that China is using ECAs and supporting funding sources as sort of a strategic cudgel—and being former NSA and OSD, I know a little bit about Huawei.

How would you see the United States combining policy and international free market opportunities in a streamlined regulatory process to utilize Ex-Im almost as our own economic cudgel also?

Mr. KAMPHAUSEN. I think we want to be very careful about using this sort of tool for those broader purposes. That said, I agree with the impulse that we must leverage all of the tools available and think up new tools for this competition that we are engaged in with China.

The first part is to understand the nature of the challenge, and the second, then, is to join the competition. And reauthorizing Ex-Im, I think, is what the committee is considering as part of that.

But then we need to leverage our unique strengths. It is not the case that Chinese money is so deeply desired by all of these countries that they would look askance at U.S. funding. Quite the opposite. And I mentioned earlier, I think before you arrived, Congressman, that we actually can do some things that can help to undermine Chinese investment. For example, last year, in our interaction, a USAID-led effort in Myanmar, we actually got the size of the loan scaled back by more than 80 percent from what China had originally said were its terms. I think those are the kind of things we can do that will allow us to compete well.

Mr. RIGGLEMAN. That is why I am so fascinated by this, and the expertise on this panel. And you just said something about, we don't think there are arbitrary caps.

Do you think Ex-Im should have a cap at all? And anybody can answer that question. Ms. Dempsey, should we have caps on Ex-Im at all?

Ms. DEMPSEY. We at the National Association of Manufacturers would strongly advise against any caps. That is going to put jobs at risk. It is going to put small and large businesses at risk. And it is going to reduce the flexibility that we need to counter these foreign export credit agencies.

Mr. HINSON. I just want to add that The U.S. Chamber of Commerce is opposed to caps as well.

Mr. RIGGLEMAN. Fantastic. I might be also.
And so here is what I want to say about this as we are going forward. Do you think we can create—and this is for everybody here—our own sort of risk matrix investment strategy? Sort of a competitive concept to move forward like a business revitalization overseas. Can we have our own sort of overarching concept that defines sort of a streamlined, technologically cogent way forward in certain geographic areas? Is this possible? Do you think we have the capability to do some risk investment strategy that combines policy, free markets, and technological innovation, and have that matrix, and actually sort of streamline where we want to go not only just based on free markets but based on policy and geographic, sort of, advantages that we might have? And I know I have 8 seconds, so I am sure you can’t answer that in 8 seconds, Commissioner. But what do you think about that?

Mr. KAMPHAUSEN. It is well outside my area of expertise. But the answer is, it is an American challenge, so, sure, we can do it.

Mr. RIGGLEMAN. Yes, sir.

Chairwoman WATERS. Thank you very much.

Mr. HUIZENGA. Thank you, Madam Chairwoman. And, unfortunately, I had been delayed getting here, and so I came out of rotation but I felt compelled—I guess every garden party needs a skunk. Well, the skunk just showed up at the end to ask a couple of questions.

But I am fascinated by this no-caps notion, that there should be no limits as to what Ex-Im can, would, or lend into. And China has been cited—I guess one party rule does help streamline policy decisions. But we have a responsibility here in Congress to limit the exposure of taxpayers to risk. And as you look back at the history of the Export-Import Bank, some of the original rationale for this was that the Soviet Union wasn’t going to—they weren’t sure we were going to be able to pay for the grain purchases. And so the Federal Government stepped in to say, okay, we are going to guarantee those.

And that is a very different situation than lending a sovereign wealth fund out of the Middle East money to purchase airplanes. We have wandered far afield from this. And to my small business friends, I am a small business owner as well, third generation involved in construction. And we have been battling that side of the equation to survive for a very long time ourselves.

And I will just note the fact that there was no quorum actually then changed the ratio on the small business lending. It wasn’t even close to hitting its mandate and did virtually nothing as—having been the former Chair of the Monetary Policy and Trade Subcommittee, I was intimately involved in the discussions surrounding Export-Import Bank’s last reauthorization. And, unfortunately, there was a kabuki dance around this notion of reforms that simply have not come to fruition.

And I am puzzled as to why no one actually from the Bank or the inspector general is not a part of this panel. It seems to me that, not only we should, but we must have the Bank here to answer some of the questions about risk management and account-
ability and exactly how GAO and Ex-Im IG have viewed Ex-Im’s shortcomings in the past on protecting taxpayer resources and rectifying the deficiencies in its antifraud measures, improving the Bank’s compliance with underwriting standards and authorization statute.

One of the main discussions that we had in our last reauthorization was actually having a balanced portfolio. If you put the Export-Import Bank up against any of our regulators of traditional banks, they would not be allowed to do the lending that they do. So we have to figure a few of these things out. I am afraid that the Majority is bound and determined to plow ahead with a reauthorization for longer than it should be, potentially with no caps at the urging of some folks that not—maybe not normally be their comrades in arms when it is coming to these kind of policy things.

I have about a minute left here, but, Commissioner, I do want you to be able to answer what had been Congressman Davidson’s question, along with Mr. Barr’s question, about CFIUS and FIRRMA controls and the dangers with China specifically. And we know about the IP side of things.

Mr. KAMPHAUSEN. I don’t think there is a concern with FIRRMA, although we are still awaiting the implementing regulations.

With regard to export controls, I am approaching the outer limits of not even my knowledge but my imagination. I think there has to be some harmonization to ensure that there wouldn’t be a conflict.

I think Ms. Dempsey might have a view on this, but I don’t think it would be insurmountable.

Ms. DEMPSEY. The export controls would prohibit Ex-Im from authorizing exports of anything that is controlled.

Chairwoman WATERS. The gentleman’s time has expired. You can answer those questions in writing, if you would like.

The gentleman from Georgia, Mr. Loudermilk, is recognized for 5 minutes.

Mr. LOUDERMILK. Thank you, Madam Chairwoman.

Thank you all for your little marathon session here with us today. I know that the Export-Import Bank is going to be a hot topic this year. It is something that we as a Congress are going to need to act upon.

I have been one of those who has been a little bit of a critic on there. I see both sides of the issue. But I also believe that government, as our Founders believed, is a necessary evil. In its best state, it is a necessary evil; in its worst state, it is an intolerable one.

Therefore, most of what the government does we have to narrow down to those things that we think government should be doing. And when we do those things, they should be narrow, limited, and done at their best. With that said, I am not necessarily opposed to the Export-Import Bank, but I do think that there are some things
that we need to look in reforming it as we go forward, and I am hoping that we can do that.

On the other side of the scale, I do see the need for it, especially from a national security stance, from the subsidization that is going on by foreign countries, many of those that are not friendly to us undercutting the market. So with that said, I am eager for the discussion to continue on in the direction we are going.

One thing that I am a proponent of is including as much as we can in the private sector, much like we do—that we are talking about, at least on this side of the aisle, in flood insurance, is including the private sector as much as we can and maybe even moving in that direction.

And I understand that the Bank launched a reinsurance pilot program that shares an additional $1 billion in loss coverage for the Bank’s aircraft financing transactions. I would like to see us do more of that type of thing. At a minimum, we should at least make that program permanent.

Question, Ms. Dempsey, why is it important for us to have—or do you feel that we should be including the private sector as much as we can, and why is it important to share the risk?

Ms. Dempsey. I agree with that. Ex-Im is supposed to be the lender of last resort. If commercial banks can participate, if they can provide these tools, I think everybody on this panel—I hope—would agree with me that it would be easier to go to your commercial bank. Certainly, our small businesses would prefer to go to their community bank where they know the banker to get those types of tools. The problem is, as we have discussed, there are numerous areas where commercial banks are prevented.

I, too, think the reinsurance issue is an interesting one, and we support that activity, but what we are already seeing is that commercial banks are limited by their bank regulators, and insurers are limited by their regulators in terms of the risk and exposure that they can accomplish.

Reinsurance cannot take the place of the Ex-Im Bank. There are certain markets where you cannot use reinsurance. Think China, think Angola, think Russia. It can’t be used for project finance. And so, we need to be very clear that there are these tools where Ex-Im can use more to diversify its risk, although, again, its default rate is extraordinarily low. It is 0.25 percent. It got a bit higher without the quorum when it wasn’t doing these large deals because, in fact, these large deals are—have been shown to be less risky.

Mr. Loudermilk. Okay. Thank you.

And a quick follow-up on that is, I have some manufacturers back in my district that feel that—and service providers—sometimes Ex-Im, because of just the nature of it, can provide an unfair competitive advantage to some other businesses, especially when it comes to selling overseas. And so, I am bringing that up as some of the issues that we are hearing from different folks.

On another aspect—and, again, I am open, I am listening, I do see the need to do this. And I just want to make sure that we have cleared some of the hurdles that we have had in the past.

Last Congress, when we were working on reauthorization, the Inspector General had a number of active investigations going on re-
garding corruption and fraud at the Bank. The IG’s most recent semiannual report to Congress in March said that there were 25 open investigations of fraud relating to export credit, insurance, loan guarantees, and others.

Mr. Hinson, have these been—can you answer, have these been resolved or what is the status of those? Are you aware of these or—

Mr. HINSON. I am not aware of those.

Mr. LOUDERMILK. Is anyone on the panel aware?

Ms. DEMPSEY. I am not aware of the specifics, but of course, the chief ethics officer was just appointed last week now that we have the quorum. I was talking to Chairman Reed just last week. I know there is a lot of interest and focus on making sure that the Bank is following the most ethical standards.

Mr. LOUDERMILK. Okay.

Ms. DEMPSEY. And on the point about favoring particular industries, part of the 2015 reform was to prohibit exactly that type of discrimination. We agree, and we would urge the Congress not to move forward with any concentration caps that would, in fact, discriminate.

Mr. LOUDERMILK. Okay. Thank you all for what you are doing, and I hope we can get to a point that this would be a good reauthorization for all of us.

I yield back.

Chairwoman WATERS. Thank you very much.

I would like to thank our distinguished witnesses for their testimony today.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing is adjourned.

[Whereupon, at 1:12 p.m., the hearing was adjourned.]
APPENDIX

June 4, 2019
Testimony

of Linda Menghetti Dempsey
Vice President, International Economic Affairs
National Association of Manufacturers

For the Hearing of the House Committee on Financial Services
on "Promoting American Jobs: Reauthorization of the U.S. Export-Import Bank"

June 4, 2019
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Linda Menghetti Dempsey
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on "Promoting American Jobs: Reauthorization of the U.S. Export-Import Bank"

June 4, 2019

Chairwoman Waters, Ranking Member McHenry and members of the committee, thank you for the opportunity to testify today. On behalf of the National Association of Manufacturers, I appreciate the chance to highlight the importance of reauthorizing the Export-Import Bank of the United States to revitalize U.S. competitiveness in the global economy in ways that will enable manufacturers to support and sustain well-paying manufacturing jobs across the country.

The NAM is the largest manufacturing association in the United States, representing 14,000 manufacturers, small and large, in every industrial sector and in all 50 states. Manufacturing employs more than 12.8 million women and men across the country and produced a record $2.38 trillion in output to the U.S. economy in 2018.

Manufacturers and their workers across America increasingly depend on global commerce to grow U.S. production, provide innovative and high-value products to consumers at home and abroad and create well-paying jobs within U.S. communities. Indeed, manufacturers in the United States export nearly half of U.S. manufacturing output, supporting 6 million American manufacturing jobs.

With the world’s most productive manufacturing sector but a domestic market that represents only 10 percent of global consumption, manufacturers in the United States need increased access to the billions of foreign consumers and 90 percent of global consumption outside of our country to spur additional growth of the manufacturing industry and well-paying jobs across this country. Given the substantial growth of foreign export credit agencies, it is vital for Congress to move forward quickly to reauthorize, revitalize and strengthen the Ex-Im Bank.

The Ex-Im Bank Plays an Important Role in Growing U.S. Exports and Jobs

As the official ECA of the United States, the Ex-Im Bank supports small and medium-sized business exports, long-term financing for large projects, sales to emerging markets and sales to foreign state-owned entities for the benefit of tens of thousands of U.S. exporters that are unable to obtain export financing or related export-related financial services from commercial banks. While the Ex-Im Bank is not involved in most U.S. exports, it is absolutely critical where it is involved; it enables U.S. exporters to win sales that support the manufacturing industry and jobs across the country.
The Ex-Im Bank has a proven record of providing export credit assistance and other tools to all eligible exporters that apply. Year after year, the vast majority of Ex-Im transactions directly benefit small businesses. In the past 18 years, the Ex-Im Bank supported more than 50,000 transactions by small and medium-sized exporters. In addition, Ex-Im transactions with large U.S. exporters also aid thousands of small businesses in their supply chains. Since 2000, 2.5 million American jobs have been supported by the exports that Ex-Im loans and export tools have made possible.

In FY2014, the last year that the Ex-Im Bank operated at full strength for an entire fiscal year, the Ex-Im Bank enabled more than $27 billion in exports, supporting 164,000 American jobs. Nearly 90 percent of those transactions directly supported small businesses, with an estimated $5 billion in support for small-business exporters. Furthermore, the Ex-Im Bank has maintained its incredibly low default rate through the recession and through several years of record growth. At the end of FY2014, the Ex-Im Bank’s default rate was less than 0.2 percent. Notably, the Ex-Im Bank’s activities are already targeted and, by law, must not compete with private-sector lending activity.

By contrast, in FY2018, when the Ex-Im Bank lacked a quorum and was unable to consider transactions greater than $10 million, including exports of capital equipment by small businesses across the country, the Ex-Im Bank enabled only $6.8 billion in exports, supporting about 33,000 American jobs. More than 90 percent of those transactions directly supported small businesses, with an estimated $2.2 billion in support for small business exporters. The default rate remained low at 0.447 percent, well below the 2 percent maximum established by the 2015 reauthorization.

Ex-Im activity is focused by law and in practice as a lender of last resort, filling gaps where commercial banks will not provide loans or other export tools. Notably, manufacturers across the country continue to identify several areas where Ex-im activity is most important; namely, for small and medium-sized business exporters, long-term financing for large projects, sales to emerging markets and sales to foreign state-owned entities.

- **Small and Medium-Sized Business Exporters.** The Ex-Im Bank is vital to many small and medium-sized businesses to enable them to start to export overseas. Small businesses, both those that are direct exporters and those that supply domestically to larger U.S. exporters, will be harmed if Congress fails to reauthorize the Ex-Im Bank. Companies that utilize Ex-Im insurance programs to enable working capital will be faced almost immediately with a dilemma about how to pay their workers and make the mortgage payments on their facilities, let alone consider growing and hiring. Suppliers whose U.S. customers lose out on large infrastructure, aerospace and energy projects overseas because they cannot bid without access to the Ex-Im Bank will also see their orders shrink.

- **Long-Term Project Finance.** The Ex-Im Bank also plays an important role in financing long-term projects. U.S. regulatory guidelines that favor domestic receivables over foreign sales,\(^1\) implementation of Basel III rules\(^2\) and other factors have limited the ability and appetite of banks to participate in long-term export

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financing projects at competitive rates, particularly for high-volume funding (tenures longer than 10 years and more than a few hundred million dollars). As a result, ECAs are increasingly a driving force for large-scale, long-term projects, particularly projects in the infrastructure, energy and aerospace sectors.

- **Emerging Markets.** Many U.S.-based lenders also turn to the Ex-Im Bank to mitigate geopolitical and collateral risk in an effort to provide viable trade financing solutions for exporters. Without the Ex-Im Bank, many private lenders have limited options: opt not to finance otherwise viable export activity in emerging markets, charge rates that are uncompetitive globally or place limits on the overall amount of financing to particular emerging markets. The Ex-Im Bank, for example, offers medium and long-term guarantees that provide flexible lender financing options for buyers of U.S. capital goods and services. The Ex-Im Bank also supports commercial banks through letter of credit confirmations that reduce a bank’s risks, offering private-sector lenders greater flexibility in working with their client base.

- **Government and State-Owned Enterprise Transactions.** U.S. exporters from a broad number of sectors increasingly are selling to foreign governments and state-owned entities. Be it medical equipment sales to foreign state-owned hospitals, power generation equipment to foreign state-owned utilities or communications satellites to foreign governments for national mobile satellite systems, such sales support greater exports and jobs in the United States but are difficult to win. In some cases, the foreign purchaser favors suppliers with a government entity on the other side of the table. In other cases, such as certain energy projects, an ECA lending option is a requirement to participate in the initial bidding phase, even if the customer ultimately opts for another financing option. While the governments of most of the United States’ major trading partners are willing to oblige, the Ex-Im Bank is the only government entity able to play such a role for U.S. exporters. Without the Ex-Im Bank’s presence, U.S. exporters simply would not be eligible to compete for many of these substantial foreign sales.

In short, while the Ex-Im Bank’s role is relatively small compared to the overall size of U.S. exports, it plays an outsized and highly important role in opening the door to U.S. exports for certain types of transactions where U.S. exporters continue to see substantial growth opportunities. With more than 100 foreign ECAs across the world, the role of the Ex-Im Bank has never been more important as manufacturers in the United States compete for international contracts.

**The Ex-Im Bank Has Undertaken Substantial Reforms**

As part of the Export-Import Bank Reform and Reauthorization Act of 2015, Congress mandated several substantial reforms to the Ex-Im Bank’s operations to address concerns related to the agency’s activity to promote small business exporters, risk management, ethics, discriminatory treatment and keeping Congress better informed of its activities. The Ex-Im Bank implemented many of these reforms shortly after the approval of the 2015 Reauthorization Act. Several reforms, however, were delayed by the lack of a quorum, but were implemented at the first Ex-Im board meeting held on May 30, 2019.

Among the key reforms that have now been implemented include the following:

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- **Appointment of a Chief Risk Officer and Formation of Risk Management Committee.** On May 30, the Ex-Im Board approved the appointment of Kenneth M. Tinsley as the chief risk officer to ensure that the Ex-Im Bank maintains appropriate risk control measures. As required by the 2015 reauthorization, the Ex-Im Bank also replaced its Audit Committee with the new Risk Management Committee, which is mandated to oversee stress testing and a comprehensive review of the risk exposure of the Ex-Im’s portfolio. The Ex-Im Board confirmed this change through the adoption of its revised bylaws. The Ex-Im Bank’s default rate is well below the 2 percent maximum mandated by law. The Inspector General also completed its required audit, which was submitted to Congress in December 2016.

- **Appointment of a Chief Ethics Officer and GAO Review of Fraud Controls.** On May 30, the Ex-Im Board approved the appointment of Lisa V. Terry as chief ethics officer to oversee all ethics issues within the Ex-Im Bank and serve as the agency’s designated ethics official. The Government Accountability Office also initiated its mandated four-year review of Ex-Im fraud controls. Both of these measures are important to ensure that the Ex-Im Bank maintains the strong ethical standards in all areas of its official conduct.

- **Updates to Exposure Limits, Risk Sharing and Loan-Loss Reserves.** The Ex-Im Bank also was required to lower its aggregate exposure for outstanding loans, guarantees and insurance to $135 billion, develop a pilot project on reinsurance to improve risk-sharing with the private sector and increase its loan-loss reserves to reduce overall risk.

- **Improvements to Enhance Small Business Usage.** As required by the 2015 reauthorization, the Ex-Im Bank has engaged in numerous activities to expand Ex-Im usage by small businesses, including the following:
  o Expanding efforts to educate small businesses and other stakeholders, hiring new staff in field offices to work directly with small businesses and implementing new systems to improve customer services, as well as other actions to meet the increased small business lending target of 25 percent.
  o Developing guidelines to implement the expanded medium-term program important for many small and medium-sized businesses to finance and insure transactions of up to $25 million (an increase from $10 million). The Ex-Im Board confirmed this increase in the medium-term cap through the adoption of its revised bylaws.
  o Cutting unnecessary red tape by authorizing acceptance of electronic documents and payments for all transactions (with narrow exceptions for hard-copy documents required by certain foreign legal systems).
  o Developing procedures to authorize staff approval of applications up to $25 million in export financing for small business working capital and insurance products. The Ex-Im Board confirmed this increase in the medium-term cap through the adoption of its revised bylaws.

- **Prohibitions on Discriminatory Treatment.** The Ex-Im Bank revised its Loan, Guarantee and Insurance Manual and webpages to include explicit guidance prohibiting the Ex-Im Bank from denying financing on the sole basis of industry, sector or business. The Ex-Im Bank also undertook mandatory staff trainings to reinforce prohibitions on discriminatory practices related on the basis of industry, sectors or businesses.
• **Improvements in Information Sharing with Congress.** As required by the 2015 reauthorization:
  
  o The Treasury Department submitted to Congress a strategy to enhance negotiations with foreign governments to reduce financing provided by ECAs and has continued to issue reports to Congress on the progress of any negotiations with countries that are not members of the Organisation for Economic Co-operation and Development.
  
  o The Ex-Im Bank also submitted a report to Congress in June 2016 regarding export financing for information and communications technology goods and provided details on its programs for small and medium-sized businesses (with less than $250 billion in revenue) as part of its 2017 Annual Report.

Many of those reforms awaited the installation of the new quorum and their impact is only just starting to be felt.

**Global ECA Activity Poses a Major Challenge to the United States**

America, its manufacturers and workers are facing substantial unprecedented challenges in the global economy spurred in significant part by more than 100 ECAs around the world working to support their own domestic industries and workers—at the expense of ours. From China, Russia and Brazil to France, Germany and Canada, other governments have recognized the value of exports to supporting and growing manufacturing and well-paying jobs, as well as to growing their economies and their footprint across the globe. Without quick action by Congress to approve a long-term and robust Ex-Im reauthorization, workers, manufacturers and the American economy will increasingly be left behind, and broader U.S. interests will be put at risk.

Foreign ECAs have continued to grow, while the Ex-Im Bank was limited severely for much of the current authorization period because it lacked a quorum. Manufacturers applauded the Senate’s action last month to confirm three nominees to the Ex-Im Board and are pleased that the Ex-Im Bank is now fully functioning for the first time since it was reauthorized in 2015. During the period that the Ex-Im Bank lost the ability to operate fully nearly four years ago, the NAM estimates that manufacturers lost at least $119 billion in manufacturing output, translating into 80,000 fewer manufacturing jobs in 2016 and 2017 alone. These losses are particularly hard for small- and medium-sized businesses and the broader U.S. industrial base.

By contrast, countries such as China, India, Korea and others are growing substantially their ability to use export credit, both for commercial and broader national interests. Based on the information that is available publicly, China’s two formal ECAs provided more than $36 billion in medium and long-term export financing support in FY2017 for projects around the world—accounting for about one-third of all total medium and long-term ECA financing. China’s total medium- and long-term investment support is larger than the rest of the world combined.

Countries are also using ECAs to advance not just their economic interests, but also their geopolitical interests around the world. Nowhere is that more apparent than with China. China’s ECA Sinosure has provided more than $510 billion in insurance to its Belt and Road Initiative projects since 2013. Its massive loans have been used to expand China’s strategic goals, including to win foreign government approval of the establishment of a Chinese military base adjacent to America’s only permanent military installation in Africa. China’s seamless
integration of its ECAs into its political and economic agenda causes more than just missed opportunities for American exporters and workers; it significantly undermines broader U.S. national interests.

This issue is, however, much larger than just China. India’s ECA provided $9.7 billion, Italy’s provided $8.9 billion and Korea’s provided $7.9 billion in medium and long-term financing in FY2017, while the United States provided less than $2.8 billion in comparable direct loans. When the Ex-Im Bank was last fully functioning in FY2014, it provided financing for nearly $2 billion in direct loans. In the face of this sizeable and, in many cases, growing competition, it is critical to get the Ex-Im Bank back to full strength and provide certainty that it will stay fully operational.

### Comparison of Official Export Credit Assistance in FY2017

<table>
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<th>Country</th>
<th>Official Export Credit Assistance (US$ Billions)</th>
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<tbody>
<tr>
<td>U.S.</td>
<td>$0.2</td>
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<tr>
<td>Brazil</td>
<td>$1.6</td>
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<tr>
<td>Canada</td>
<td>$1.9</td>
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<tr>
<td>Japan</td>
<td>$2.0</td>
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<td>U.K.</td>
<td>$2.1</td>
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<tr>
<td>France</td>
<td>$6.8</td>
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<tr>
<td>Germany</td>
<td>$7.0</td>
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<tr>
<td>Italy</td>
<td>$8.9</td>
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<tr>
<td>India</td>
<td>$9.7</td>
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<tr>
<td>China</td>
<td>$36.3</td>
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Source: Ex-Im Bank Competitiveness Report, FY2017

In addition to the larger size, greater flexibility and broader strategic focus of foreign ECAs, manufacturers in the United States also must contend with the fact that their competitors overseas often enjoy subsidized financing. The United States has worked intensively to negotiate strong rules to eliminate market distortions and subsidies that oftentimes characterize foreign ECAs, leading efforts to bring developed country members of the OECD\(^4\) and non-OECD countries to the negotiating table. Largely as a result of U.S. leadership over several decades, most of the OECD’s industrialized countries have agreed to uniform standards for fair and commercially based ECA lending.\(^5\) Sector-specific arrangements have also been negotiated.

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\(^4\) Members include Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, South Korea, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States. OECD, "Members and Partners," accessed at http://www.oecd.org/about/membersandpartners/

\(^5\) Most prominently, OECD members developed the "Arrangement on Officially Supported Export Credits" (ECA Arrangement) that sets out financial disciplines for standard export credits and for export credits for certain sectors that reduce and eliminate potential market distortions. In particular, the ECA Arrangement—which has been agreed to by Australia, Canada, the European Union, Japan, New Zealand, Norway, South Korea, Switzerland and the United States, emphasizes that OECD ECAs should be competing on quality and price of goods and services.
to provide even stricter disciplines on ECA financing related to ships, nuclear power, aircraft, renewable energy, climate change mitigation and water projects. Work with non-OECD countries has been more difficult, and that is where the greatest concern about subsidized ECA financing lies. The United States has worked intensively to undertake negotiations with key developing countries to agree to operate their ECAs based only on commercial considerations. As a result of U.S. efforts, 18 major providers of export credits are participating in the International Working Group on Export Credits. China, India, Brazil and others have shown little interest thus far, particularly while the United States lacked a fully reauthorized or fully functioning Ex-Im Bank.

Manufacturers Seek a Timely, Robust and Long-Term Ex-Im Reauthorization

This committee’s consideration of Ex-Im reauthorization comes at a timely moment not just to extend Ex-Im’s term, but to make improvements and updates to strengthen U.S. competitiveness and reverse the deteriorating of U.S. economic influence across the globe. To do so effectively, manufacturers urge the committee to move quickly to:

- Reauthorize the Ex-Im Bank for a significant term and prevent unnecessary disruptions to its activities by fixing the quorum issue permanently;
- Revitalize its mission and capabilities to help the United States counter the growing challenge of state-directed export financing; and
- Continue to ensure that the Ex-Im Bank promotes exports by all eligible industries and firms, including small and medium-sized businesses, without hampering its flexibility to help manufacturers of all sizes and types compete in the global marketplace.

Failure to move forward in a timely manner with a robust and long-term reauthorization will harm manufacturers and workers across the United States.

- If the Ex-Im Bank is not reauthorized, tens of billions of dollars in U.S. exports will be put at risk annually. Manufacturers overseas will increasingly win foreign sales that manufacturers in the United States could have won. The loss of U.S.-manufactured exports will be at the expense of thousands of manufacturers in the United States and hundreds of thousands of American workers who rely on Ex-Im services to boost their export sales.
- Weakening America’s export competitiveness will be particularly damaging in the face of intense and growing global competition that has already resulted in a substantial decline in America’s share of the global manufacturing market.
- Even greater manufacturing export opportunities will be lost on an annual basis as trade expands and U.S. exporters effectively cede foreign sales. The loss of new export opportunities will be particularly severe for small and medium-sized businesses and for exports to emerging markets and infrastructure sectors where growth is expected to be strongest.

7 The 18 participants are nine in the OECD Arrangement (Australia, Canada, the European Union, Japan, New Zealand, Norway, South Korea, Switzerland and the United States) and nine non-OECD members (Brazil, China, India, Indonesia, Israel, Malaysia, Russian Federation, South Africa and Turkey).
Time is of the essence. The NAM, our nation’s manufacturers and the more than 12.8 million women and men who make things in America are urging Congress to act.

Conclusion

Thank you, Chairwoman Waters and Ranking Member McHenry for holding this hearing and for providing me the opportunity to testify before you. We urge you to move forward quickly on a robust and long-term reauthorization of the Ex-Im Bank to enable the agency to fulfill its principal mission of supporting American jobs through exports, while revitalizing it to be a more effective counterweight to the growing challenge facing our nation through foreign ECAs.
TESTIMONY OF OWEN HERRNSTADT
CHIEF OF STAFF TO THE INTERNATIONAL PRESIDENT
INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS,
AFL-CIO
BEFORE THE U.S. HOUSE COMMITTEE ON FINANCIAL SERVICES
“PROMOTING AMERICAN JOBS: REAUTHORIZATION OF THE U.S. EXPORT-
IMPORT BANK”

JUNE 4, 2019

Thank you, Congresswoman Waters, Ranking Member McHenry and Members of this Committee for the opportunity to testify before you today on the vital importance of the U.S. Export-Import Bank (Ex-Im Bank) in promoting American jobs.

The International Association of Machinists and Aerospace Workers (“IAM”) represents hundreds of thousands of workers in North America. IAM members work in a variety of industries, including manufacturing, aerospace, electronics, shipbuilding, defense, woodworking and transportation, just to name a few. Our members produce, service, assemble and transport products, parts and assemblies that create the global economy. They work for the leading export companies in the U.S. including Boeing, United Technologies, John Deere, General Electric, Lockheed as well as numerous others. Given our members’ work in the export industries, we are uniquely positioned to share with you our strong support for reauthorization of Ex-Im so that it can continue its critical mission supporting U.S. jobs by financing exports that meet strong U.S. employment policy requirements, like those concerning domestic content.

We need a fully funded and re-authorized Ex-Im Bank now more than ever. Global competition has never been more intense and the stakes for our economy have never been higher as U.S. firms and U.S. workers struggle to compete in today’s global marketplace. Other
countries have developed comprehensive policies to build and retain their own export industries. For example, the European Commission developed its Strategic Aerospace Review for the 21st Century (Star 21) containing recommendations concerning Europe’s aerospace industry. China has relied on a comprehensive industrial policy to promote the development of several industries (including aerospace) and increase employment. Many other countries have implemented their own policies and institutions that promote domestic industries and employment, including Germany, France, Italy and Japan to name a few.

Unlike these other countries, the U.S. has only one government institution that supports U.S. exporters and U.S. workers: the Ex-Im Bank. Since the Ex-Im Bank began in the 1930s, its mission has been “to assist in financing the export of U.S. goods and services to international markets,” enabling “large and small companies to turn export opportunities into real sales that help to maintain and create U.S. jobs and contribute to a stronger national economy.” The Bank’s efforts have been stymied over the past few years however, first by delaying reauthorization and then by preventing the existence of a quorum of its Board of Directors. During this period companies like GE announced the closure of its facility in Waukesha, Wisconsin where 350 jobs, many of them represented by the IAM, would be lost. “GE said Congress was to blame for the closure because it has failed to authorize the charter of the Ex-Im Bank.”

While uncertainty over the Ex-Im Bank’s future continues, export credit agencies (ECA) in other countries are becoming more aggressive. In addition to targeting projects which promote their own domestic companies and workers, other ECAs are targeting U.S. companies to provide financing support to them, instead of using the Ex-Im Bank. In return for their finance support,

these ECAs are seeking the transfer of U.S. manufacturing work that would have been performed in the U.S. had finance support been available from the Ex-Im Bank. Aerospace is one of the principal targets of foreign ECAs, as noted in Ex-Im’s Report on Global Export Credit Competition:

Many foreign ECAs are also using export finance to target the aerospace industry. Both UKEF (United Kingdom) and SACE (Italy) have offered to support Boeing aircraft despite its aircraft having relatively low national content. These efforts aim to lure Boeing to consider U.K. and Italian suppliers, thereby pulling suppliers away from the United States and to Europe. In September 2017, NEXI (Japan) and UKEF (United Kingdom) signed a co-financing (or reinsurance) agreement. Given UKEF’s recent financing of Boeing aircraft and EXIM’s own history co-financing aircraft with NEXI, this new agreement will likely be used to expand both the British and Japanese aerospace sectors.2

China’s use of ECAs is of a special concern given the massive amount of financing that they are providing their export industries and the lack of transparency. What we do know is of great concern. As part of its “Made in China 2025” policy and its Belt and Road Initiative (BRI) which focuses on developing robust export industries that employs thousands of workers, “it has provided export and investment insurance totaling approximately $510 billion to BRI-related projects since its launch in 2013.” It is no secret that China is trying to enter the large commercial aircraft industry, and its growing reliance on its ECAs is and will continue to be a major part of its strategy.

If the Ex-Im Bank is not re-authorized in a timely fashion, U.S. workers and their communities will lose and lose big. While companies may be able to find financing for their

exports, for workers, the real question is whether exports will be manufactured in the U.S., or in other countries.

Some critics of the Ex-Im Bank want to eliminate export credit financing entirely. They argue that if no country can engage in this activity, no country will be able to use ECAs to promote their own industries and employment. Their criticism is based on two presumptions. First, they presume that all countries will agree to eliminate export credit agencies, which is seriously doubtful. Second, they presume that the elimination of ECAs will eliminate other countries’ efforts to support their own industries and employment. Unlike the U.S., however, as Europe’s Star 21 and China’s Made in China 2025 efforts clearly indicate, other countries utilize comprehensive policies that are not limited to ECAs to support their own industries and employment.

Other critics are not content to wait until all countries agree to eliminate export financing. They want to see the Ex-Im Bank out of business now. Without the Ex-Im Bank’s financing, U.S. workers will suffer—as one of the major incentives for U.S. companies to keep manufacturing in the U.S. is eliminated. As Europe and China become more aggressive in developing comprehensive programs to increase manufacturing in industries like aerospace, why would we want to eliminate one of the only tools the U.S. has to effectively compete with them? Why would we want to unilaterally disarm in the race to maintain and strengthen a manufacturing sector that has lost nearly 5 million jobs over the past 20 years? Why would we hurt one of our remaining engines of export growth, the U.S. aerospace industry?

As indicated at the outset, the IAM’s support for the Ex-Im Bank is directly linked to strong public policies that support U.S. employment, like domestic content and shipping requirements. Strong domestic content means that a greater percentage of the product for export
is made here in the U.S. Strong shipping requirements mean that U.S. workers on U.S. flagged ships, not foreign workers on foreign flagged ships, will transport the Ex-Im Bank financed exports. We support efforts to strengthen these and other Ex-Im Bank policies directly and indirectly related to supporting good jobs in the U.S., not in other countries.

Past efforts to weaken these essential public policies should continue to be rejected. If domestic content and U.S. shipping requirements are weakened in anyway, U.S. workers will suffer. Moreover, U.S. taxpayers (including the U.S. workers whose jobs are at stake) should not have to question whether their hard earned money is going to create jobs here at home or in other countries.

The IAM strongly urges this Committee to act as quickly as possible to fully reauthorize the Ex-Im Bank with strong U.S. employment policies.
Statement of the U.S. Chamber of Commerce

ON: Promoting American Jobs:
Reauthorization of the U.S. Export-Import Bank

TO: U.S. House of Representatives
Committee on Financial Services

BY: David Hinson
Vice President, Diversity and Emerging Business
U.S. Chamber of Commerce

DATE: June 4, 2019

1615 H Street NW | Washington, DC | 20062

The Chamber’s mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.
The U.S. Chamber of Commerce is the world’s largest business federation representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

More than 96% of Chamber member companies have fewer than 100 employees, and many of the nation’s largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber’s international reach is substantial as well. We believe that global interdependence provides opportunities, not threats. In addition to the American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.
Chairman Waters, Ranking Member McHenry, and distinguished members of the committee, my name is David Hinson, and I am Vice President for Diversity and Emerging Business at the U.S. Chamber of Commerce (“Chamber”). I am also the former National Director of the Minority Business Development Agency in the U.S. Department of Commerce. In my capacity, I represented America’s 11 million minority-owned and operated businesses and worked with the Export-Import Bank, among other federal export agencies, to strengthen the ability of these companies to sell their products and services abroad. I am pleased to testify today on the importance of reauthorizing the Export-Import Bank of the United States (“Ex-Im”), the charter for which will lapse on September 30.

Ex-Im is one of the most important tools at the disposal of U.S. companies to level the playing field for trade finance, as companies seek to increase exports and create jobs at home. The benefits of its programs to the U.S. economy are clear: In fiscal year 2014—the last full year when it was operational—Ex-Im provided financing or guarantees for $27.5 billion in U.S. exports, thereby supporting more than 164,000 American jobs.

Ex-Im is especially important to U.S. small- and medium-sized businesses, which accounted for nearly 90% of Ex-Im’s transactions prior to the 2015 lapse in the Bank’s charter. In addition to these direct beneficiaries, tens of thousands of smaller companies that supply goods and services to large exporters have also benefitted from Ex-Im’s activities.

Ex-Im is also critical to the growth of minority-owned and women-owned exporters. According to the Minority Business Development Agency report Minority Exporters: Characteristics and Strategies for New Business Expansion, there are 28,531 minority business exporters representing 17.5 percent of all classified exporting businesses in the United States. There are also over 30,000 women-owned exporters. In fiscal 2014, 1 out of 5 Ex-Im authorizations completed were with minority-owned or women-owned businesses. These firms exported in excess of $30 billion in goods and services, exported to over 100 countries and sold a wide variety of products ranging from airplane spare parts to wellness and nutritional products.

Competitiveness at Stake

Unilateral disarmament is rarely a good idea, but this is precisely what refusing to reauthorize Ex-Im would accomplish. It is estimated that there are more than 100 official export credit agencies (ECAs) worldwide, and they have extended more than $1 trillion in trade finance in recent years. Every major trading nation has at least one official ECA; China has three major state financial institutions that fill this role.

To illustrate, Canada’s equivalent of Ex-Im (Export Development Canada) provided 3 times more export finance to its exporters than Ex-Im was providing to U.S. firms, relative to the size of its economy. This was true prior to the 2015 lapse in Ex-Im’s operations; the comparison in the years since then, when Ex-Im’s lending was severely limited by the absence of a board quorum, would obviously be much more lopsided.

Further, ECAs in developing countries, which in most cases do not abide by the rules of the OECD Arrangement on Officially Supported Export Credits, provide far more export financing on much more generous terms than Ex-Im. This was especially pronounced during and immediately after the 2008-2009 financial crisis. In 2008, China’s ECAs provided Chinese
exporters seventeen times more export credit as a share of GDP than Ex-Im did for U.S. exporters. As late as 2010, Chinese and Brazilian ECAs provided ten times more financing to domestic exporters as a share of GDP than Ex-Im did. Even today, ECAs based in China, India, and Brazil far outpace Ex-Im in lending volumes.

Some critics contend that closing Ex-Im would set an example for others, or that negotiations could then induce other countries to close their ECAs. This is pure fantasy. In discussions at the OECD and in other fora, governments from Germany to China have shown zero interest in shutting their ECAs. Further, over the last four years, while Ex-Im’s operations have been severely limited, not only have we not seen other countries work to scale back the size and scope of their own ECAs but instead, our competitors have actually used our disadvantage as a marketing ploy to drive additional business towards the foreign goods they support.

The fact that the Treasury has not been able to negotiate an agreement to wind down other countries’ ECAs is not a valid reason to penalize U.S. exporters and the workers they employ. U.S. companies produce many of the world’s best goods and services, but without Ex-Im they would often find themselves at an unfair disadvantage when competing with foreign enterprises backed by official export credit agencies. For the United States not to have an operating ECA puts U.S. exporters at an absolutely unique disadvantage.

To a large degree, this is the situation that prevailed from 2015 until last month, when the Senate confirmed three nominees and restored a functioning board quorum for Ex-Im. During this period, the Bank was unable to extend loans or guarantees in excess of $10 million. Larger firms — including the tens of thousands of smaller firms in their supply chains — were operating at a clear disadvantage in global markets. As a result, a backlog accumulated of approximately $40 billion in transactions in Ex-Im’s pipeline that required a vote by Ex-Im’s board of directors. It is estimated that these export sales could support an estimated 250,000 U.S. jobs.

During this period, Ex-Im’s activity plummeted and U.S. exporters in a number of sectors suffered. The Bank was able to approve only about $200 million in medium-term financing and no long-term support in 2016, for example, while China provided $34 billion in medium-and long-term financing for exports by Chinese firms.

A Key Tool for Small Businesses

These realities play out differently for various sectors and industries. The challenge is especially poignant for small businesses as commercial banks often refuse to accept foreign receivables as collateral for a loan without an Ex-Im guarantee, which is especially critical for the Chamber, as 99% of our members are small and medium-sized businesses.

Buyers overseas increasingly expect vendors to offer financing. Without Ex-Im’s accounts receivables insurance and lines of credit, many U.S. small businesses would be unable to extend terms to foreign buyers and would have to ask for cash-in-advance. In such a case, the business would most likely go to a firm from another country that benefits from foreign ECA support. In addition, many small businesses depend on Ex-Im’s credit insurance to insure orders because local banks will not extend credit on uninsured accounts, and credit insurance is not generally available to small businesses from sources other than Ex-Im.
Head to Head: Exports of Capital Goods

Looking beyond small and medium-sized businesses, it is par for the course for expensive capital goods such as Canadian planes, Chinese trains, and Russian nuclear reactors to be sold worldwide with unashamed backing from these firms’ national ECAs. Since the lapse in the Bank’s charter and in its board quorum in 2015, U.S. exporters have certainly lost substantial opportunities due to this dynamic.

Even with a functional Ex-Im, this competition is fierce. It is useful to consider examples from the period before 2015 to illustrate. In 2014, for example, South African railway Transnet put out a bid for 466 diesel electric locomotives at a total contract price of $750 million. As is common in such bids, one requirement was that the supplier must finance a significant portion of the transaction.

Backed by aggressive export financing provided by China’s export credit agency, Chinese locomotive manufacturers won half the order. In March 2014, General Electric won the order for the other 233 locomotives—but only because Ex-Im support was available to level the financial playing field. Without Ex-Im, GE would have lost the entire order. This kind of story plays out time and again with capital goods.

Foreign infrastructure opportunities are another area where ECA support is included in bidding requirements. Closing Ex-Im would shut out major American exporters from huge business opportunities overseas because ECA support is often required for a company even to bid on overseas infrastructure projects. This requirement is written into the specs for procurement opportunities all around the world.

Nuclear power is another sector where the fate of Ex-Im would have a major impact. According to the Nuclear Energy Institute, “export credit agency support is almost always a bidding requirement for international nuclear power plant tenders.” This is critical to this industry because at least 95% of all opportunities in this sector are outside the United States.

Refusing to reauthorize Ex-Im would put U.S. companies selling expensive capital goods such as aircraft, locomotives, turbines, and nuclear power plant equipment at a unique competitive disadvantage because their foreign competitors all enjoy ample financing from their home-country ECAs—enough to easily knock U.S. companies out of the competition. For some industries, executives could face the question of whether to shift production to locations where ECA support is available.

Nor does Ex-Im force commercial banks out of the trade finance business. As the Bankers Association for Finance and Trade (BAFT) has explained, Ex-Im “cannot be replaced solely by the private sector.” “Balance sheet constraints (arising from prudential capital and liquidity requirements, among other factors) along with institutional credit, country and counterparty limitations” are among the factors that limit the ability of commercial banks to provide export finance... An Ex-Im Guarantee does not make a bad deal ‘bankable’...commercial banks share the risk on transactions with Ex-Im and so would not enter into arrangements where the risk trumps the viability of the deal.”
No Cost to the Taxpayer

Ex-Im operates at no cost to the American taxpayer. Ex-Im charges fees for its services that have generated billions of dollars in revenue for the U.S. Treasury. In fact, Ex-Im has sent to the Treasury $7 billion more than it has received in appropriations since 1990. This figure comes from Ex-Im’s annual report, which uses the accounting method required by law. Contrary to rumor, the Congressional Budget Office (CBO) has never denied that Ex-Im continues to generate a “negative subsidy,” i.e., it is a net contributor of revenue to the Treasury.

According to the Merriam-Webster Dictionary, a subsidy is “money that is paid usually by a government to keep the price of a product or service low.” As noted, Ex-Im provides no such subsidy; on the contrary, the fees it charges have risen in recent years. In the aircraft sector, a 2011 multilateral agreement doubled the fees for export credit financing, thereby addressing the concern that some export credit financing was below market rates.

Some critics charge that Ex-Im picks winners and losers, skewing the marketplace. On the contrary, Ex-Im extends loans and guarantees to all applicants that meet its strict lending requirements but does so only when commercial credit is unavailable or when it is necessary to counteract below-market credit from foreign ECAs. Ex-Im also acted to fill the void when the availability of private-sector trade finance fell by 40% during the 2008-2009 financial crisis.

Importance to Minority-owned and Women-Owned Businesses

Ex-Im is critical to the growth of minority-owned and women-owned exporters. Minority-owned and women-owned exporters have unique competitive advantages in the global marketplace. The Minority Business Development Agency reports that minority owned firms are more likely to export than non-minority owned firms. These firms are six times more likely to transact business in a language other than English, are generally larger than non-exporting minority-owned firms and are more likely to have operations abroad in 14 of 19 key industry sectors than non-minority owned firms. The International Trade Center outlines in its Unlocking Markets for Women to Trade report that women-owned exporters offer 1.6 times more in pay than non-exporting women owned business, are larger than non-exporting women-owned businesses and are 1.2 times more productive than male-owned business exporters. Both of these groups benefit from gender and ethnic connectivity, knowledge of local cultures and multilingual skills among others.

Minority-owned and women-owned businesses face many obstacles to exporting. One of these obstacles is access to capital. This obstacle is more challenging than for traditional businesses because these companies face bias from lenders and others funders. This fact makes export financing support more crucial to their success simply because they have far fewer capital alternatives.

Conclusion

Appearing in this hearing on behalf of the nation’s largest and most representative business organization—with members of every size, sector, and state—I can affirm the remarkable breadth and depth of support for Ex-Im’s reauthorization. The thousands of small
businesses that depend on Ex-Im to be able to access foreign markets were stunned at the 2015 campaign to let its charter lapse and the subsequent jockeying that blocked restoration of a board quorum until last month. We cannot allow this to continue.

Ex-Im does not skew the playing field—it levels it for U.S. exporters facing head-to-head competition with foreign firms backed by their own ECAs. Ex-Im doesn’t pick winners and losers—but refusing to reauthorize Ex-Im is picking foreign companies as winners and U.S. exporters as losers.

Ex-Im’s critics need to take a broader look at the global economy and the serious threats to U.S. industrial competitiveness—including in many national security-sensitive sectors. America’s Ex-Im Bank plays a vital role in this context.

The Chamber appreciates the opportunity to provide these comments to the committee. We are committed to working with Congress to secure Ex-Im’s reauthorization before September 30.
Testimony before the
House Committee on Financial Services
United States House of Representatives

Hearing on
“Promoting American Jobs: Reauthorization of the U.S. Export-Import Bank”

Testimony by
Roy D. Kamphausen
Commissioner
U.S.-China Economic and Security Review Commission
June 4, 2019
Chairman Waters, Ranking Member McHenry, distinguished members of the Committee,

Thank you for the opportunity to appear before you today to share my views on China’s economic policy, especially as it is reflected in China’s Belt and Road Initiative (BRI). I want to recognize the Committee’s vigilance for bringing to the public’s attention this important issue, which is the subject of my testimony today. These views are my own and do not necessarily reflect those of the U.S.-China Economic and Security Review Commission, where I serve as a Commissioner, although they are informed by the Commission’s body of past and ongoing work on this subject.

1. Overview of the Belt and Road

A year and a half ago, in testimony before the House Committee on Foreign Affairs, I argued that the BRI represents a test case for China’s vision for a new international order throughout Eurasia, and possibly even the world. The contours of that desired order are now more clear, and Beijing’s ambitions even greater, than they were even that short time ago.

Today, China has demonstrated that it intends for the BRI to be not merely a regional initiative, but a global one. China has extended the BRI into the Western Hemisphere, Europe, and the Arctic, and has launched what it calls a “Digital Silk Road” and a “Space Silk Road,” seeking influence not only around the world, but also in the key domains of cyberspace and outer space.

More broadly, China has used the BRI to promote its global influence in areas from increasing market access and setting standards for emerging technologies to controlling global media markets, exporting authoritarian-enabling surveillance technology, and revising the rules of global economic governance. In a speech marking the fifth anniversary of the BRI in August 2018, Xi Jinping declared that the initiative “serves as a solution for China to improve global economic governance [...] and build a ‘community of common human destiny’”—a term used with increasing frequency by Chinese leaders to refer to a global order aligned to Beijing’s liking.¹

Military implications of the BRI have also begun to emerge, as China has spoken openly about the military utility of BRI investments and the need to extend its military reach to protect these commitments. For these reasons, it is likely that China will continue to increase its global engagement; People’s Liberation Army bases in Djibouti and Argentina are unlikely to be their last.

While China has signaled it may be willing to make some rhetorical or tactical adjustments to the BRI in response to the mounting global criticism it has received, there is no indication it will fundamentally alter the project’s most problematic practices. As China continues to add new BRI signatories and reinforces the scheme’s centrality to Chinese foreign policy, we should expect instead that China will only redouble efforts to establish the economic policies represented by the BRI as enduring and accepted features of the global economic order.

For the purposes of this hearing, I will focus on the core economic strategy of the BRI while also discussing how China has used the project to extend its political and military influence more broadly.

¹ The U.S.-China Commission published a chapter on the BRI in its 2018 Annual Report to Congress. The research and findings from that chapter are central to arguments made in this testimony, which draws heavily on that and other Commission analysis.
II. BRI Aims to Boost China’s Long-Term Economic and Tech Competitiveness

Although Chinese officials like to talk up BRI as a boon to global development, and BRI investment may well provide some necessary resources to urgent infrastructure investment shortfalls throughout Eurasia, from Beijing’s perspective BRI is designed primarily to boost the competitiveness and innovative capacity of Chinese companies. Specifically, BRI aims to (1) open up new markets for Chinese products, particularly in higher-end manufactured goods; and (2) promote adoption of Chinese technology standards. These efforts, if successful, will create long-term reliance on Chinese IP and technology, and disadvantage U.S. and other foreign companies.

BRI is aligned with China’s economic development plans, such as the 13th Five-Year Plan and the Made in China 2025 initiative. For example, BRI directly targets at least half of ten key high-technology sectors in the Made in China 2025 strategy: aerospace equipment, power equipment, new information technology, rail equipment, and marine technologies.

Telecommunications is a particularly notable example of China’s effort to sell technology in BRI markets and beyond. Chinese telecommunications companies are expanding their efforts to build telecommunications infrastructure, provide network services, and sell communications equipment in BRI countries. Huawei, China Mobile, and ZTE are closely involved in developing 5G technology and have increased their participation in international standard-setting bodies for 5G. According to research by the Australian Strategic Policy Institute (ASPI), as of April 2019, Chinese companies were involved in 52 5G initiatives in 34 countries.

Estimating the value of BRI projects is a challenge. The Chinese government does not release consistent, disaggregated statistics; private sources, likewise, are not comprehensive (one estimate cites $1 trillion, another as much as $8 trillion). Based on what we do know, it is clear that most financing comes from China’s policy banks and state-owned commercial banks (see Figure 1).

China’s banks do not operate the same way as banks in liberal economies do—policy, not profit maximization, underpins decision making. In practice, this means that favored industries and companies receive subsidized financing, and projects promoted by the government (even those that lack commercial viability) get preferential access to capital. This enables Chinese companies to underbid other competitors, who do not enjoy similar subsidies. In a recent example, Huawei, a “national champion” and one of the world’s most prolific providers of telecommunications infrastructure, won a contract to supply 5G equipment to a Dutch wireless carrier by underbidding the existing vendor, Swedish firm Ericsson, by 60 percent. Furthermore, most BRI projects are not open tender and are awarded to Chinese companies, relegating foreign companies to supporting roles, if they can get access at all.

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The Chinese government also provides credit to foreign governments and businesses to purchase Chinese equipment and services. According to data from the U.S. Export-Import Bank, in 2017, China provided $36.3 billion in official export credit, or one-third of the global export credit. Huawei is a notable beneficiary of Chinese government largesse. According to its annual reports, Huawei received $1.6 billion in government grants over the last 10 years. At the same time, local governments offered Huawei heavily subsidized land to build its facilities while state-controlled banks have helped bankroll Huawei’s global expansion: For example, in 2004, the China Development Bank gave Huawei a $10 billion credit line to provide financing to clients buying its gear, which was tripled to $30 billion in 2009. According to a report by The Washington Post, China’s state-owned banks also made $100 billion available to Huawei clients to purchase its equipment.

III. BRI as a Tool to Promote Political and Military Influence

While China routinely denies any strategic motivation behind the BRI, the project’s political and military components are apparent. Moreover, as the self-proclaimed test platform for China’s “community of common human destiny,” the political and military aims China has advanced through the BRI offer a troubling preview of what a world serving the interests of China’s political system might resemble.

In countries from Africa to Europe and the Western Hemisphere, China has used BRI partnerships to expand its influence into local media markets and export digital surveillance technology and other means of social control. In April, China hosted the inaugural meeting of the Belt and Road News Network—an association consisting of 182 media outlets from South Africa to France—
where Xi Jinping exhorted countries involved in the BRI to produce news stories boosting public support for the project. The establishment of this network builds on longstanding Chinese investments around the globe to fund foreign journalists travelling to China for training in Chinese state-run media practices, purchase controlling stakes in foreign Chinese-language and other media, and promote China’s concept of cyber sovereignty that would give governments the right to control internet users and content within its territory. As China has perfected its application of digital surveillance at home, including the use of artificial intelligence (AI) and big data to support its detention of more than a million Uyghurs and other ethnic minorities in China’s Xinjiang region, it has increasingly exported these surveillance methods abroad, including through the Digital Silk Road. According to a 2018 report by Freedom House, of 65 countries surveyed, 18 had purchased surveillance equipment, including AI-enabled facial recognition systems, from Chinese companies. Further, Freedom House found 38 countries have purchased internet and mobile network equipment from China, and officials from 36 countries have received information management training from China.

On the military side, recent statements and writings from Chinese leaders have reinforced the military significance of the BRI and the potential military utility of certain BRI investments—especially those in ports, airports, and railways. In January, Xi Jinping called on China to improve the protection of its overseas economic interests, including through building what he called a “system of security guarantees” for the BRI. In 2018, China’s minister of defense used similar language to announce the People’s Liberation Army’s (PLA) interest in working with Pakistan to provide a security guarantee for BRI projects. In a recent article expanding on this directive, a PLA officer revealed the existence of a military “going global” strategy that requires the PLA to routinize military activities outside China’s borders while encouraging the use of BRI investments to support oversea power projection. The exact methods the PLA might employ to ensure the security of its BRI investments—such as enhanced security cooperation, capacity building of host nation security forces, outsourcing of security to private security providers, and even potentially the deployment of active PLA forces in certain circumstances—remain under development.

IV. Examples of Pushback to the BRI and China’s Response

Almost from its inception, BRI has raised concerns about debt sustainability in recipient countries. China does not follow international development finance standards, and does not disclose the amounts or the terms for loans it offers. Analysis by Aid Data, a research lab at the College of William & Mary, shows that most of China’s state lending overseas is based on commercial, nonconcessional terms. A March 2018 report from the Center for Global Development assessed the current debt vulnerabilities of countries identified as potential BRI borrowers. Out of 23 countries determined to be significantly or highly vulnerable to debt distress, the authors identified eight countries “where BRI appears to create the potential for debt sustainability problems, and where China is a dominant creditor in the key position to address those problems.” One of these eight countries, Djibouti, received financing from China worth nearly $1.4 billion, or around 75 percent of Djibouti’s GDP, which almost certainly played a role in the country’s agreement to host a Chinese naval base.

Although China often makes deals with countries vulnerable to economic distress and political coercion due to poor governance, weak financial regulations, and corruption, a number have spoken out about their concerns over the debt and sovereignty risks associated with BRI loans.
In 2018, struggling to pay its debts to China (which totaled $8 billion by one estimate) and other creditors, Sri Lanka’s government turned over a controlling equity stake and a 99-year lease to China. 28

In a notable example of pushback Malaysian Prime Minister Mahathir Mohamad spoke out during a trip to Beijing last year about his concern over the exorbitant costs of BRI projects in his country, warning against BRI partnerships giving way to a “new version of colonialism.” 29 As a result of this pushback, Malaysia successfully lowered the price tag of its largest BRI project by a third, while it was revealed that in 2018 a team of U.S. experts dispatched by the U.S. Agency for International Development assisted Myanmar in renegotiating the cost of a major BRI port deal from $7.3 billion to $1.3 billion, suggesting other BRI recipients may be interested in similar outside assistance. 30

Recognizing the need to reinforce global norms and best practices for development aid and investment, a number of countries—including the United States, Japan, India, and European countries—have announced new projects to provide countries in need of infrastructure assistance with alternatives to the terms of China’s BRI. 31 More recently, following the passage of the BUILD Act, Australia, Canada, the European Union, and Japan signed multilateral cooperation agreements with the revitalized U.S. Overseas Private Investment Corporation to drive growth in emerging markets that adhere to high standards and provide alternatives to “unsustainable state-led models.” 32

Still, while China has been sensitive to the growing backlash against the BRI, it does not appear to have fundamentally altered the initiative’s most problematic components or diminished its efforts to gain acceptance of the BRI as a legitimate model for extending China’s political, economic, and military influence abroad. At a world summit for BRI participants in April, Xi Jinping sought to allay countries’ concerns over the BRI but restated China’s view of the project’s significance as a new model for global economic governance. 33 With the continued addition of new signatories to the BRI, including Italy’s accession over the strong protests of the United States and European Union, Beijing may have grounds to remain confident in the prospects for the project’s viability. Despite protests over their BRI debts, countries have refrained from canceling projects outright and opted instead to renegotiate better terms, suggesting the ultimate fate of China’s model may hinge on the ability of the United States and its allies and partners to reinvigorate alternative programs to address the vast global development needs.

V. Recommendations

BRI’s geographic ambition and variety and scale of projects may make it seem like an insurmountable challenge to the global liberal order. While this is not yet true, the United States and its allies and partners must be vigilant in monitoring Chinese activities and relentless in protecting our interests. More than anything, we should be proactive—not reactive—when formulating the U.S. response to the BRI. Trying to match China dollar-for-dollar is not possible, nor would it make for good policy. The U.S. should always play to our strengths and offer assistance to countries seeking alternatives to China’s predatory practices. The U.S.-China Commission made 26 recommendations in its 2018 Annual Report to Congress to help bolster U.S. economic, security, and diplomatic capabilities pertinent to our relationship with China. Excerpted below are some of the recommendations I think are particularly relevant to your inquiry:

- Congress create a fund to provide additional bilateral assistance for countries that are a target of or vulnerable to Chinese economic or diplomatic pressure, especially in the Indo
Pacific region. The fund should be used to promote digital connectivity, infrastructure, and energy access. The fund could also be used to promote sustainable development, combat corruption, promote transparency, improve rule of law, respond to humanitarian crises, and build the capacity of civil society and the media.

- Congress require the U.S. Department of State to prepare a report to Congress on the actions it is taking to provide an alternative, fact-based narrative to counter Chinese messaging on the Belt and Road Initiative (BRI). Such a report should also examine where BRI projects fail to meet international standards and highlight the links between BRI and China’s attempts to suppress information about and misrepresent reporting of its human rights abuses of Uyghurs in Xinjiang.

- Congress require the Director of National Intelligence to produce a National Intelligence Estimate (NIE), with a classified annex, that details the impact of existing and potential Chinese access and basing facilities along the Belt and Road on freedom of navigation and sea control, both in peacetime and during a conflict. The NIE should cover the impact on U.S., allied, and regional political and security interests.

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1. Xinhua, “Xi Fudges to Bring Benefits to People through Belt and Road Initiative,” August 27, 2018.
6. Zhen Soo, “ZTE to Play Integral Role in Creating ‘Information Superhighway’ to Connect One Belt, One Road Countries,” South China Morning Post, December 2, 2016; Ernst & Young, “Key Connectivity Improvements along the Belt and Road in Telecommunications and Aviation Sectors,” September 2016, 12-15.


The Written Statement of Archana Sharma on “Promoting American Jobs: Reauthorization of the US Export Import Bank”

Chairwoman Waters, Ranking Member McHenry, and Members of the Committee, thank you for inviting me here today to testify about the US Export Import Bank.

I came to the United States in 2005 from India with my husband and children. I found employment as Director of Quality Control at Osteotech Inc (later Medtronic), a company that made medical devices from donated human bones and tissue. My husband is a textile engineer who found work in a textile manufacturing company in NJ which declared bankruptcy and closed in 2010. That’s when we decided to get into manufacturing our own fabrics. Recession was at full peak, and no bank was willing to lend us the money. We took a leap of faith and invested our entire savings in our business. Our first batches were ready by the fall of 2010. My son Ashley created the website; my daughter Karishma started a blog to attract customers to the website. I did the planning in my spare time and my husband ran production and sales. The four of us were co-owners, but the vision and strategy was mine so I became the CEO. During my vacation time and weekends my husband and I made visits to potential customers - makers of reusable cloth diapers and that’s where our first big order came from. Within one year the fabric became a bestseller, by our modest standards, and it was deemed to be the best in the market. We had to keep the prices competitive with overseas imports so our margins were low but our confidence in the quality of our fabric was high. In 2012 I acquired a Canadian company Wazoodle Fabrics with an online web store and added more fabrics to our product line. I am the CEO of both businesses. We invested our earnings back into the business and developed more specialty fabrics.

AKAS is a textile manufacturing company with expertise in design, engineering, raw materials sourcing and fabrication. Our experience in fibers, lean manufacturing, quality, and supply chain, and our focus on sustainability have made us a global leader in specialty fabrics that are safe for the environment and safe for end users.
Our business designs and produces high-performance custom made fabrics desired by entrepreneurs and industry giants alike. We also make our own lines of fabrics and have engineered some of the top brands for absorbency, food safety, waterproofing, organics, athletic performance, anti-microbial protection and more. These are stocked as roll goods available for applications in a wide range of industries including apparel, automotive, food, furniture, industrial, healthcare, oil, hospitality and the military.

Made from the best yarns available, our textiles have gone up in space with astronauts, they've been part of the Winter Olympics torch, and they are used in gear for America’s armed forces. They perform every day throughout the world, and they meet mil spec, food-safe, flame retardant and other U.S. certifications.

We are one of the few textile manufacturers in the United States that source all our raw materials in the USA, and partner exclusively with American mills for production. That’s because our mission is to create and support jobs in American mills, showcase the excellence and superior quality of US made fabrics and bring recognition to our hard working and knowledgeable textile industry. This is our way of showing our gratitude and giving back to this country that has welcomed us and accepted us in its fold.

The fabrics that we manufacture are used for making a wide range of reusable products that help in reducing the use of disposables and the amount of material going into landfills. Some examples are washable and reusable cloth diapers, nursing pads, adult incontinence wear, cloth pads, soaker pads, surgical drapes, food safe snack bags, unpaper towels, pet bedding and there are many more.

In our manufacturing journey we came across other small textile businesses that had the machines to knit or finish fabrics but their capacity was underutilized because much of textile manufacturing had been moved overseas. Many machines sat idle. We worked with several of these mills to create our fabrics-knit, print, dye, finish, apply special finishes etc. Now we have a supply chain of more than 50 small companies and larger ones. Over the past 11 years, we have increased production at some of our mills from two to four days a week and overall have been able to create over 100 jobs and sustain over 650 jobs throughout our supply chain.
By 2013 we were exporting some of our fabrics and had maybe six overseas customers in four countries. Orders had to be paid for in advance so that limited our sales. We could not offer credit terms because we had no way of recovering the money if our foreign buyers defaulted on the payment. People across the world sampled our fabrics and wanted them, but the shipping costs were exorbitant and customers would purchase only small amounts.

I was introduced to the EXIM bank in 2013 at a trade seminar, and learned about their export credit insurance program. That came as a blessing to us as it enabled us to offer credit terms to our international customers and encourage them to place larger orders. The customers saved on shipping costs ordering larger amounts of fabric and we were able to give them volume discounts. It was a win-win situation.

Now that we could offer credit terms to overseas customers it leveled the playing field and gave us an edge over international competitors because the quality of our US made fabrics was superior. EXIM’s team of professionals has been invaluable in helping us navigate its export tools we have benefited immensely by using EXIM Bank.

In 2011-12 we had six overseas customers in four countries. Today we have more than 800 customers in over 60 countries.

People use the retail website to purchase small quantities of our textiles to test them and make prototypes. Once they have finalized the design of their product, they graduate to the wholesale site and buy whole rolls of fabric (25-50 yards). Because we are able to offer them credit terms many of these companies start purchasing larger volumes at a time (500 yards and more). It helps them get volume discounts from us, saves on shipping costs for them and helps their production efficiency by making large batches of product. That’s how much difference the support of the EXIM bank makes. Without the peace of mind that EXIM’s credit insurance provides us, our exports will suffer tremendously.
We are very proud of our American textile industry and grateful to our vast supply chain of textile businesses that help us create these wonderful fabrics that are recognized for their quality all over the world. The fabrics are then used by creative people across the world to make creative reusable items that reduce the usage of disposable goods and make a difference to the carbon footprint on the earth.

Our two most sought after products are our Zorb absorbent fabrics and ProSoft food safe fabrics, over 70% of which are used by woman-owned and operated businesses around the world. We are thankful to the US government for creating such an awesome asset that benefits small industry and women owned businesses. EXIM offers such good programs and services and I am grateful for the opportunity to speak about them today. I would readily recommend them to other business owners and let them know that banks like EXIM are not just for big business, in fact they are even more important for small business owners.

Our revenue has grown from $0.5 million in 2010 to over $4.6 million in 2018. A large part of the growth has come from our exports due to our ability to offer credit terms. I have noted below the list of countries where our fabrics are exported.

In closing, I would like to thank you all for listening to me and I’d like to thank the EXIM bank for helping a small business like ours compete globally and export American made goods. I’d be happy to answer any questions.

Note:
The list of the countries where our fabrics are supplied are:

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Thank you
Archana Sharma
Written Statement of Steven P. Wilburn

Testimony Before the House Financial Services Committee on June 4, 2019

Madame Chair Waters, Ranking Member McHenry, Honorable Members of the Committee and Committee staff, invited guests and the citizens attending the hearing today.

Let me first express my gratitude for the opportunity to provide input and informed opinions regarding the Reauthorization of the Export Import Bank of the United States. I am a firm believer that when you have a good program in place that allows us to compete globally and grow jobs locally that you should ensure it’s fully operating and providing the needed resources to expand and grow business here and abroad and that’s why I am honored to be here testifying today.

My name is Steven P. Wilburn. I was born on December 19, 1948 in Chicago, Illinois, I am the oldest of nine children and was raised in East St. Louis and Belleville, Illinois. I am married to Margaret Wilburn, and I am the father of five children, thirteen grandchildren and six great-grandchildren. I currently reside in Newport Beach, California and I am a proud American Exporter.

After graduating from Althoff Catholic High School in 1966, I enlisted and served in the United States Marine Corps from 1967 to 1969. I am a decorated 100% Disabled Vietnam War Veteran, including the Purple Heart Medal. I was air medevac’d from DaNang, Vietnam to the United States in November of 1967. I spent 9 months in the Great Lakes Naval hospital recuperating. I was Honorably discharged in April, 1969.

I am currently the founder of, and serve as the Chief Executive Officer and President, of FirmGreen, Inc. FirmGreen®, is a privately held, integrated energy company participating in virtually all aspects of the global energy markets. FirmGreen® is involved with identifying, inventing, developing and commercializing new and emerging energy technologies that promise to play an increasingly important role in the world’s energy mix.

I also founded and serve as the Managing Member of VerdeWatt, LLC. The company is commercializing my newly issued patent for operating MicroGrids on a Wireless Mesh Communications Network.

Fundamentally, I am an energy executive, and inventor with over thirty-five years of experience in the development and implementation of energy production and efficiency technologies and the development/operation of alternative energy projects.

Previously, in my energy career, I served as the Vice President of Business Development at the Allied–Signal Corporation, where I was responsible for developing and commercializing Fluidized Bed Technologies in the 1980’s and 90’s. Prior to Allied Signal, I worked at the Monsanto Corporation, and Monsanto Biodize, developing wastewater treatment facilities.

I have seen a great deal in business and innovation over the course of my career. I have seen things that work well and some not so well. I can assure you that the Exim Bank is not only a tool that works well when it comes to my ability to compete globally, but it does so for many Exporters around our country as well.
I am not a big company but I do make an impact both here in the United States and globally. Given that I am a smaller exporter, it is imperative for me and other exporters of my size, to have adequate tools in place to reach worldwide markets that allow exporters to close deals that ultimately creates jobs for hardworking Americans while improving our economy and maintaining our role in this ever growing and constantly developing global economy.

The Exim Bank offers exporters such as myself, many tools and each are critical in our ability to do business internationally and grow jobs locally and globally.

The reality is that other countries have these tools in great abundance and certainty from their Economic Credit Agencies (ECAs) and they are hungry to not only grow themselves but to enter as many developing and emerging markets as possible. China and European ECAs are allowed to invest in upgrading ports, and associated land based transportation infrastructure to support exports. I feel strongly, that US Exim Bank should likewise be enabled to invest in creditworthy trade related infrastructure projects here in the United States.

Small to Medium Size exporters like FirmGreen and VerdeWatts are faced with overseas competitors who have the full support of their respective Economic Credit Agencies (ECAs). These agencies are fully functioning and have not experienced interruptions or the threats of shutdown due to a lack of Reauthorization or a full Board.

Therefore, they provide a great deal of certainty whereas we have consistently faced uncertainty with our Exim Bank and that does not make it easy to compete successfully outside our country.

When Exim is fully functioning they are an indispensable tool that allows Small to Medium Exporters compete for foreign business opportunities. The Bank’s ability to offer competitive financing terms for my Brazilian Biogas Project in 2012 allowed me to win a $49 million dollar project. That’s a project I simply wouldn’t have been in the running for without the critical help of Exim.

I was competing against the French ECA backed Air Liquide and the German ECA backed Linde Corporations. These were Multi-Billion Dollar Companies with great financing terms, but the Brazilian client wanted FirmGreen’s technology. When Exim issued the Letter of Intent we were awarded the contract subject to Exim completing its Due Diligence and issuing a direct loan. Exim was able to satisfy itself and approved the loan over much larger, better financed competitors.

We created a net 165 jobs according to the suppliers who worked on the fabrication of FirmGreen’s technology. These were mostly jobs at small machine and welding shops in the Mid-West of the United States. Specifically, Wisconsin, Michigan, Ohio, Illinois, Missouri, Indiana, and Oklahoma. In addition, we created and supported manufacturing, warehousing, trucking and Maritime shipping jobs in California, Florida and Texas.

These were good paying jobs, most of them paying well above the minimum wage. Most importantly they were jobs that would have never existed without the invaluable direction and assistance of our Exim Bank. It was due to closing this deal with Brazil that a ripple affect took place across multiple states that created and sustained jobs while helping to ultimately grow the economy.
The bottom line for me is this - when it comes to competing for and securing International projects, as the Brazilian Biogas project, I simply could not have done it without the resources and backing of the Exim Bank.

I can assure each of you that without the Exim bank it’s a very challenging and difficult place for me and all of my fellow exporters.

In 2015, due to the impasse on funding Exim I lost 1 Biogas project worth $57 million dollars in the Philippines where we had won the bid due to Exim’s Letter of Intent to fund the creditworthy project.

In 2018, we lost $250 million dollars of Solar projects awarded by the Philippines Department of Energy because of our superior technology and the fact that Exim Bank had publicly pledged up to 1 Billion Dollars in support for Filipino Infrastructure projects. Exim tried to save the day by issuing a Letter of Support stating that Exim could underwrite the much needed solar and energy storage projects up to the amount of $250 million, subject to due diligence.

We tried, to no avail, to convince the Philippines Department of Energy to extend the deadline to bring the projects online. This was devastating on my small company and our Filipino partners as we lost millions in development capital that we had expended in over three years of efforts to win the DOE awards.

Today, we are finalists for projects that have received Exim LOI’s in Mexico and China. But the uncertainty over the Banks future has us walking on eggshells once again.

Please help me compete on a level playing field to grow my business and create good paying jobs. You have the ability to ensure American exporters like FirmGreen and VerdeWatts can compete on the world’s exporting stage, by fully reauthorizing this program and putting the certainty back into the process.

Thank you for allowing me the extreme honor of testifying on this critical issue today.